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DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1985

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

H.R. 6329/S. 3026

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1985, AND FOR OTHER PURPOSES

PART 4—(Pages 1-572)

Department of Defense
Environmental Protection Agency
Nondepartmental Witnesses

Printed for the use of the Committee on Appropriations

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DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1985

TUESDAY, MARCH 20, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:05 a.m. in room 192, Dirksen Senate Office Building, Hon. Warren Rudman presiding.

Present: Senators Stevens and Rudman.

NONDEPARTMENTAL WITNESSES

OPENING STATEMENT OF SENATOR RUDMAN

Senator **RUDMAN**. The subcommittee will be in order.

The chairman will be along shortly. He is presently tied up with a leadership meeting in the Capitol.

Today the subcommittee will receive testimony on the fiscal year 1985 defense appropriations bill from witnesses outside the Department of Defense. On behalf of the subcommittee membership and the chairman, Senator Stevens, I want to welcome all witnesses this morning.

In order to accommodate all of those who will testify, we are going to ask that you summarize your statement in 10 minutes or less. We will assure that your complete testimony will be printed in the record. The hearing record will be published later this year and will incorporate all testimony heard this year by the Defense Subcommittee.

Our first witness this morning is Dr. Samuel Mayhugh, president of the Treatment Centers of America. Dr. Mayhugh, if you would like to come up and be seated, you may proceed.

TREATMENT CENTERS OF AMERICA

STATEMENT OF SAMUEL L. MAYHUGH, PH.D., PRESIDENT, TREATMENT CENTERS OF AMERICA

MENTAL HEALTH REIMBURSEMENTS AND NEW DELIVERY SYSTEMS

Mr. **MAYHUGH**. Thank you, Senator.

Mr. Chairman, I am president and chief executive officer of Treatment Centers of America, an organization which provides an alternative to acute psychiatric hospitalization and private outpatient therapy. TCA has headquarters in Arcadia, Calif. I am a member of the American Psychological Association and the California State Psychological Association.

Mental health reimbursements and new delivery systems have been subjects of deep concern to me both professionally and personally over much of my career. I appreciate the opportunity to testify today on a subject which I know is also of deep concern to you as you consider defense appropriations and costs.

HOSPITAL COSTS FOR PSYCHIATRIC PATIENTS

According to the statistics branch of CHAMPUS, the average Government cost for hospital and physician in fiscal year 1982 was higher by far for psychiatric patients than for any other type of admission. It was in fact more than double the cost for the next highest category, surgical admissions.

I have provided a chart, on my left and to your right, to illustrate these relative costs. The red broken line at top represents 1978 to 1982, the averate cost per psychiatric admission to CHAMPUS; the green solid line, the average cost of all inpatient care reimbursed by CHAMPUS; and the lines below that comparing that to surgical delivery and medical costs.

Specifically, I will recommend that this problem be addressed by redesigning benefits to make less costly alternatives more attractive, rather than simply cutting reimbursable days of care per year, as has been proposed for fiscal year 1985.

According to CHAMPUS, a net reduction in psychiatric inpatient days of about 6.7 percent during fiscal year 1983 resulted, paradoxically, in a cost increase of 9.5 percent. The average cost to CHAMPUS for inpatient psychiatric care rose 16.8 percent per hospital day. At the same time, costs for doctors' services had actually fallen by 0.8 percent during the same period.

This is not news to you. Both the Senate and the House have taken steps to deal with the problem by limiting maximum inpatient days to 60, with a waiver for extraordinary circumstances. It is understood commonly that further reductions are under consideration for 1985.

OTHER COST-SAVING ALTERNATIVES

We recommend instead other cost savings alternatives. As we have seen, there is evidence to suggest that merely limiting inpatient days would not necessarily hold down costs, might be counterproductive at worst, and ineffective at best.

The three approaches to mitigating the problem of exploding patient costs: obviously, to keep people out of the hospital through wellness programs; structure benefits so as to keep inpatient admissions as short as possible; and to move toward utilizing lower cost inpatient providers or alternatives.

LOWER COST INPATIENT PROVIDERS

The DOD Authorization Act of 1984 dealt somewhat with all three of these approaches. I particularly want to address item 3, structuring benefits toward utilization of lower cost inpatient providers.

In the debate over rising health care costs, two factors come up again and again: the explosion of high cost technology in the health care field and the increased accessibility of care to a public that does not have necessarily information nor financial incentives to make prudent choices.

Interestingly enough, though, in this area of behavioral health care, the area with the least use of technology and the least accessibility to the public, the costs are rising just as rapidly, if not more so. Preconceived notions and institutionalized practices and procedures protect the status quo and escalate costs.

In this testimony I will refer to Treatment Centers of America facilities simply because they are unique and provide the best example of the type of cost containment that we are recommending nationwide. These particular centers were built on the belief that currently accepted clinical practices, but in facilities that generally cost 30 to 50 percent less than acute psychiatric hospitals and use stepdown or last restrictive setting approaches to patient care, so that patients are moved from higher cost to lower cost during inpatient time.

SERVICES

The least negative effect on patient care comes from the location of service, and there are particular approaches to find the lowest priced services that will still provide high quality care and provide all the life safety standards necessary for psychiatric patients.

These facilities exclude unnecessary expenses of code standards that currently are necessitated by equipment that goes into general acute hospitals. But I would emphasize again that by no means do these facilities sacrifice life and safety standards designed to protect the lives of psychiatric inpatients.

Most behavioral health patients require only an effective, intensive treatment program, concerned, competent therapists, and a haven, a comfortable, protective place to undergo rehabilitation away from their routine environment. That is, with the exception of the superacute psychiatric patient, who might often need a locked unit with intensive care.

Because care can be provided in less expensive settings, overall costs can be reduced to CHAMPUS by 30 to 50 percent for this particular type of patient.

MULTILEVEL TREATMENT PROGRAMS

The other area that reduces costs is that of multilevel treatment programs. This means moving patients progressively into the lowest level of treatment intensity and expense appropriate to their condition. Both day and night programs are often offered, each at accordingly reduced rates.

The net result, then, is that costs per admission are lowered even more substantially and patients are allowed to make more smooth transitions to home and job. Total lengths of stay are not increased.

Patients can be subject to a rigorous quality assurance and utilization management program which screens out people that do not need to be in inpatient settings and allows for triggering of stepdown programs while they are admitted.

These lower costs we would like to illustrate very briefly on chart 2, using a typical admission in an acute or traditional setting in Arizona for a depressed person, where the admission would be about 14 days. The cost would be about $3,584 for inpatient direct services, and in our particular facility which is operating there, at $138 per day compared to $265, that same treatment program results in a saving of about 48 percent. You notice the blue line represents the step down after about 8 days of full-time inpatient care.

CAMPUS INPATIENT COSTS

It is our belief that programs such as this could have a major impact on CHAMPUS' inpatient costs for psychiatric care. If historical operating results are any indication, reducing lengths of stay arbitrarily alone will not suffice, unless they are cut to unrealistic levels. According to research, costs will be shifted to other health care categories.

It is noteworthy that the nearly 7-percent decrease in patient days in 1983 was accompanied by an overall increase in program costs of 10 percent, 1982 figures indicate that CHAMPUS patients stayed about 34.6 days, well under the currently authorized limit of 60 days. So we do see that the cap would not necessarily significantly reduce the cost.

We believe that multilevel and inpatient care in these facilities offer valid alternatives. Currently, however, CHAMPUS does not reimburse residential type services except for children and adolescents. We would welcome the opportunity to participate in an in-depth examination through a demonstration project which we could operate.

We are convinced of the soundness of these alternative approaches and its application to the increasing problem of CHAMPUS' health care cost inflation. We stand ready to demonstrate its effectiveness and savings potential.

Thank you, Mr. Chairman.

[The prepared statement of Dr. Mayhugh follows:]

TREATMENT CENTERS OF AMERICA

TESTIMONY OF

SAMUEL L. MAYHUGH, PH.D.

CHIEF EXECUTIVE OFFICER

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE. I AM PRESIDENT AND CHIEF EXECUTIVE OFFICER OF TREATMENT CENTERS OF AMERICA (TCA), AN ORGANIZATION WHICH PROVIDES AN ALTERNATIVE TO ACUTE PSYCHIATRIC HOSPITALIZATION AND OUTPATIENT THERAPY. TCA HAS HEADQUARTERS IN ARCADIA, CALIFORNIA. I AM A MEMBER OF THE AMERICAN AND THE CALIFORNIA STATE PSYCHOLOGICAL ASSOCIATIONS. MENTAL HEALTH REIMBURSEMENT AND NEW DELIVERY SYSTEMS HAVE BEEN SUBJECTS OF DEEP CONCERN TO ME BOTH PROFESSIONALLY AND PERSONALLY OVER MUCH OF MY CAREER.

I APPRECIATE THE OPPORTUNITY TO TESTIFY TODAY ON A SUBJECT WHICH I KNOW IS ALSO OF DEEP CONCERN TO YOU AS YOU CONSIDER DEFENSE APPROPRIATIONS AND COSTS.

ACCORDING TO THE STATISTICS BRANCH OF THE CIVILIAN HEALTH AND MEDICAL PROGRAM OF THE UNIFORMED SERVICES (CHAMPUS) THE AVERAGE GOVERNMENT COST FOR HOSPITAL AND PHYSICIAN IN FISCAL YEAR 1982 WAS HIGHER BY FAR FOR PSYCHIATRIC PATIENTS THAN FOR ANY OTHER TYPE OF ADMISSION. IT WAS IN FACT MORE THAN DOUBLE THE COST FOR THE NEXT HIGHEST CATEGORY, SURGICAL ADMISSIONS. I HAVE APPENDED A CHART ON THESE RELATIVE COSTS.

SPECIFICALLY, I WILL RECOMMEND THAT THIS PROBLEM BE ADDRESSED BY REDESIGNING BENEFITS TO MAKE LESS COSTLY ALTERNATIVES MORE ATTRACTIVE, RATHER THAN SIMPLY CUTTING REIMBURSABLE DAYS OF CARE PER YEAR, AS HAS BEEN PROPOSED.

ACCORDING TO CHAMPUS, A NET REDUCTION IN PSYCHIATRIC INPATIENT DAYS OF 6.7%, OR 34,906 DAYS, DURING FISCAL 1983 RESULTED IN A COST INCREASE OF 9.5%, OR $9,468,924. THE AVERAGE COST TO CHAMPUS FOR INPATIENT PSYCHIATRIC CARE ROSE 16.8% PER HOSPITAL DAY. AT THE SAME TIME, COSTS FOR PROFESSIONAL SERVICES HAD ACTUALLY FALLEN BY .8% DURING THE SAME PERIOD. THE AVERAGE COST PER ADMISSION FOR PSYCHIATRIC CARE WAS $6,425 DURING 1982, WHICH COM-

PARES WITH $3,192 PER ADMISSION FOR THE NEXT MOST EXPENSIVE CATEGORY, SURGICAL ADMISSIONS. THIS IS NOT NEWS TO YOU. BOTH THE SENATE AND HOUSE HAVE TAKEN STEPS TO DEAL WITH THE PROBLEM BY LIMITING MAXIMUM INPATIENT DAYS TO 60, WITH A WAIVER FOR EXTRAORDINARY CIRCUMSTANCES. IT IS COMMONLY UNDERSTOOD THAT FURTHER REDUCTIONS ARE UNDER CONSIDERATION FOR 1985.

WE RECOMMEND INSTEAD OTHER COST SAVINGS ALTERNATIVES. AS WE HAVE SEEN THERE IS EVIDENCE TO SUGGEST THAT MERELY LIMITING DAYS OF CARE AS A MEANS OF HOLDING DOWN COSTS MAY BE COUNTERPRODUCTIVE AT WORST AND INEFFECTIVE AT BEST.

THERE ARE THREE OBVIOUS APPROACHES TO MITIGATING THE PROBLEM OF EXPLODING PATIENT COSTS:

1. TO KEEP PEOPLE OUT OF THE HOSPITAL THROUGH MENTAL WELLNESS PROGRAMS.
2. TO STRUCTURE BENEFITS SO AS TO KEEP INPATIENT ADMISSIONS AS SHORT AS POSSIBLE.
3. TO STRUCTURE BENEFITS TOWARD UTILIZATION OF LOWER COST INPATIENT PROVIDERS.

THE DOD AUTHORIZATION ACT OF 1984 DEALT SOMEWHAT WITH ALL THREE APPROACHES. I WILL ADDRESS ITEM 3, "STRUCTURING BENEFITS TOWARD UTILIZATION OF LOWER COST INPATIENT PROVIDERS."

IN THE DEBATE OVER RISING HEALTH CARE COSTS, TWO FACTORS ARISE AGAIN AND AGAIN -- THE EXPLOSION OF HIGH-COST TECHNOLOGY IN THE HEALTH CARE FIELD AND THE INCREASED ACCESSIBILITY OF CARE TO A PUBLIC WHICH DOES NOT HAVE EITHER THE INFORMATION OR FINANCIAL INCENTIVES TO MAKE PRUDENT CHOICES. INTERESTINGLY ENOUGH, HOWEVER, IN THE AREA WITH THE LEAST USE OF TECHNOLOGY AND THE LEAST ACCESSIBILITY -- BEHAVIORAL HEALTH, THE COSTS ARE RISING JUST AS RAPIDLY. PRECONCEIVED NOTIONS AND INSTITUTIONALIZED PRACTICES AND PROCEDURES PROTECT THE STATUS QUO AND ESCALATE COSTS.

IN THE ENSUING TESTIMONY I WILL REFER TO TREATMENT CENTERS OF AMERICA FACILITIES SIMPLY BECAUSE THEY ARE UNIQUE AND PROVIDE THE BEST EXAMPLE OF THE TYPE OF COST CONTAINMENT WE RECOMMEND. THESE CENTERS WERE BUILT ON THE BELIEF THAT CURRENTLY ACCEPTED CLINICAL PRACTICE CONTAINED THE POTENTIAL FOR DRASTICALLY REDUCED COSTS BY TAKING ADVANTAGE OF NATURAL OPPORTUNITIES TO CUT OVERHEAD AND BY ADOPTING A "LEAST RESTRICTIVE SETTING" APPROACH TO INPATIENT CARE.

IN EXAMINING THE VARIABLES THAT AFFECT COST AND PROGRAM EFFECTIVENESS, THE AREA OF GREATEST POTENTIAL COST SAVINGS WITH THE LEAST NEGATIVE TREATMENT IMPACT IS THE LOCATION OF THE SERVICE. CURRENT RESEARCH INDICATES THAT THE TRADITIONAL HOSPITAL SETTING HOLDS NO MONOPOLY ON SUCCESSFUL TREATMENT. THIS HAS FUELED AN UNBUNDLING OF SERVICES IN ORDER TO AVOID THE EXPENSE OF INTERDEPARTMENTAL COST SHIFTING IN HOSPITALS. AMBULATORY SURGERY CENTERS, BIRTHING CENTERS, AND URGENT CARE CENTERS ARE CASES IN POINT. THE TCA CONCEPT IS BASED ON THIS EMERGING PHILOSOPHY.

TCA ACHIEVES ITS SUBSTANTIAL COST REDUCTIONS BY USING INHERENTLY LESS EXPENSIVE TREATMENT SETTINGS. IN ESTABLISHING A CENTER, EMPHASIS IS PLACED FIRST ON UTILIZING STRUCTURES CURRENTLY EXISTING IN A COMMUNITY. THESE FACILITIES ARE THEN RENOVATED AND REDECORATED TO A HIGH STANDARD OF QUALITY AND A HOME-LIKE ATMOSPHERE. WHEN NEW CONSTRUCTION IS REQUIRED, IT IS ON A PAR WITH SKILLED NURSING FACILITIES, BUT BELOW HOSPITAL SPECIFICATIONS. PHYSICALLY, TCA'S RESIDENTIAL TREATMENT CENTERS LOOK LIKE ANY PSYCHIATRIC HOSPITAL (IF THERE IS A NORM). AS A MATTER OF FACT, IN MANY SITUATIONS, PATIENTS FIND THEM MORE AESTHETICALLY PLEASING. TCA FACILITIES EXCLUDE THE UNNECESSARY EXPENSE OF CODE STANDARDS WHICH ARE NECESSITATED BY THE EQUIPMENT THAT GOES INTO ACUTE GENERAL HOSPITALS. I WOULD LIKE TO EMPHASIZE, HOWEVER, BY NO MEANS DO THESE FACILITIES SACRIFICE ANY LIFE AND SAFETY STANDARDS DESIGNED TO PROTECT THE LIVES OF HOSPITAL PATIENTS. STANDARDS HAVE BEEN APPLIED TO PSYCHIATRIC HOSPITALS TO ACCOMMODATE THE GENERAL ACUTE HOSPITAL STANDARDS -- NOT BECAUSE THEY ARE REQUIRED FOR TREATMENT. EXPENSIVE, HIGH-TECH EQUIPMENT WHICH NECESSITATES THESE MORE STRINGENT STANDARDS IS NOT A NORMAL PART OF PSYCHIATRIC CARE. MOST BEHAVIORAL HEALTH PATIENTS REQUIRE ONLY AN EFFECTIVE, INTENSIVE TREATMENT PROGRAM, CONCERNED, COMPETENT THERAPISTS, AND A HAVEN -- A COMFORTABLE PROTECTIVE PLACE TO UNDERGO THEIR REHABILITATION, AWAY FROM THEIR ROUTINE ENVIRONMENT.

BECAUSE TCA PROVIDES CARE IN LESS EXPENSIVE SETTINGS, OVERHEAD IS LOWER. CONSEQUENTLY, TCA PATIENT CHARGES AVERAGE 30-50% LOWER THAN THOSE IN ACUTE PSYCHIATRIC HOSPITALS. THE TREATMENT REGIMEN AND STAFFING LEVELS, HOWEVER, ARE VIRTUALLY IDENTICAL TO THOSE FOUND IN STATE-OF-THE-ART PSYCHIATRIC HOSPITALS. THERE IS NO SACRIFICE IN QUALITY OF CARE.

ANOTHER AREA OF SIGNIFICANT SAVINGS FOR INPATIENT PSYCHIATRIC COSTS IS THROUGH MULTI-LEVEL TREATMENT PROGRAMS. TCA's CENTERS UTILIZE A "LEAST RESTRICTIVE SETTING" APPROACH TO CARE. SIMPLY PUT, THIS MEANS MOVING PATIENTS PROGRESSIVELY INTO THE LOWEST LEVEL OF TREATMENT INTENSITY AND EX-

PENSE APPROPRIATE TO THEIR CONDITION. BOTH DAY AND NIGHT TREATMENT PROGRAMS ARE OFFERED, EACH AT AN APPROPRIATELY REDUCED RATE. THE NET RESULT IS THAT NOT ONLY ARE COSTS PER ADMISSION LOWERED EVEN MORE SUBSTANTIALLY, BUT PATIENTS ARE ALLOWED TO MAKE A SMOOTH TRANSITION TO NORMAL LIFE RATHER THAN MAKE AN ABRUPT JUMP FROM THE SHELTERED FACILITY ENVIRONMENT TO THE RIGORS AND RESPONSIBILITIES OF HOME AND JOB. TOTAL LENGTHS OF STAY ARE NOT INCREASED.

ALL TCA PATIENTS ARE SUBJECT TO A RIGOROUS QUALITY ASSURANCE/UTILIZATION MANAGEMENT PROGRAM. THIS PROGRAM PROVIDES AN ONGOING SCREENING PROCESS WHEREBY APPROPRIATENESS OF ADMISSION, CONTINUED STAY, AND LEVEL OF CARE ARE MONITORED, DOCUMENTED AND MANAGED. ITS PURPOSE IS TO SCREEN OUT THOSE WHO DO NOT REQUIRE INPATIENT CARE AND TO IMPLEMENT THE "LEAST RESTRICTIVE SETTING" PHILOSOPHY.

BECAUSE OF LOWER COSTS DUE TO REDUCED OVERHEAD EXPENSE, THE USE OF MULTI-LEVEL PROGRAMS (WITH MULTI-LEVEL CHARGES), AND THE QUALITY ASSURANCE/UTILIZATION MANAGEMENT PROGRAM, TOTAL COSTS FOR AN INPATIENT ADMISSION ARE RADICALLY REDUCED.

IT IS OUR BELIEF THAT PROGRAMS SUCH AS TCA's COULD HAVE A MAJOR IMPACT ON CHAMPUS' INPATIENT COSTS. IF HISTORICAL OPERATING RESULTS ARE ANY INDICATION, REDUCING LENGTHS OF STAY ALONE WILL NOT SUFFICE UNLESS THEY ARE CUT TO UNREALISTIC LEVELS, WHICH, ACCORDING TO RESEARCH, WILL MERELY SHIFT COSTS FOR PSYCHIATRIC CARE TO OTHER HEALTH CARE CATEGORIES. IT IS NOTEWORTHY THAT THE NEARLY 7% DECREASE IN PATIENT DAYS IN 1983 WAS ACCOMPANIED BY AN OVERALL INCREASE IN PROGRAM COSTS OF 10%. 1982 FIGURES INDICATE AN AVERAGE LENGTH OF STAY OF 34.6 DAYS, WELL UNDER THE 60 DAY LIMIT IMPOSED BY CHAMPUS. OBVIOUSLY, CURRENTLY THE ROOT OF THE PROBLEM RESIDES IN THE ACTUAL FACILITY COSTS. WE BELIEVE MULTI-LEVEL AND INPATIENT CARE IN THOSE TCA TYPE FACILITIES OFFER VALID ALTERNATIVES. CURRENTLY, HOWEVER, CHAMPUS DOES NOT REIMBURSE RESIDENTIAL SERVICES EXCEPT FOR CHILDREN AND ADOLESCENTS. WE WOULD WELCOME AN IN-DEPTH EXAMINATION THROUGH A DEMONSTRATION PROJECT, AS AUTHORIZED IN THE DEPARTMENT OF DEFENSE AUTHORIZATIONS ACT OF 1984.

WE ARE CONVINCED OF THE THEORETICAL SOUNDNESS OF THE ALTERNATIVE SERVICES CONCEPT AND ITS POTENTIAL APPLICATION TO THE INCREASING PROBLEM OF HEALTHCARE COST INFLATION. WE AT TCA STAND READY TO TEST THE THEORY IN PRACTICE. IN ADDITION TO THE CHART AND TABLE PREVIOUSLY CITED, I AM PLEASED TO SUBMIT A STATEMENT OF TCA's STAFFING, ADMISSIONS POLICY, DAILY

TREATMENT SCHEDULE AND A RATE SHEET, WHICH YOU MAY FIND RELEVANT AND OF INTEREST AS YOU REVIEW THE MOUNTING COSTS OF BEHAVIORAL HEALTH CARE.

THANK YOU.

EXHIBIT 1

Information Systems
Statistics Branch
October 1983

SEPTEMBER
DETAILED COMPARISON OF FISCAL YEAR 1982 AND FISCAL YEAR 1983 STATISTICS AND PERCENTAGE CHANGES BY CATEGORY OF CARE
PSYCHIATRIC

Data Element	Fiscal Year 1982*	Fiscal Year 1983**	Percent Change
Inpatient Care (Hospital and Professional Services Combined)			
Hospital Days	524,398	489,492	-6.7%
Cost per Hospital Day	$191	$223	16.8
Hospital Admissions	16,430	14,675	-10.7
Cost per Hospital Admission	$6,081	$7,453	22.6
Days per Admission (ALOS)	31.9	33.3	4.4
Inpatient Costs			
Hospital Only	$90,523,393	$100,070,020	10.6
Professional Services Only	9,386,913	9,309,210	-0.8
Total Combined	99,910,306	109,379,230	9.5
Inpatient Claims			
Hospital Claims	27,474	26,303	-4.3
Cost per Hospital Claim	$3,295	$3,805	15.5
Professional Services Claims	17,224	14,273	-17.1
Cost per Professional Services Claim	$545	$652	19.6
Outpatient Professional Care			
Outpatient Claims	156,508	191,874	22.6
Cost per Outpatient Claim	$173	$185	6.9
Outpatient Visits	633,321	753,550	19.0
Cost per Outpatient Visit	$43	$47	9.3
Total Outpatient Costs (Professional Services Only)	$27,092,549	$35,512,325	31.1
Total Costs (Inpatient and Outpatient Combined)	$127,002,855	$144,891,555	14.1

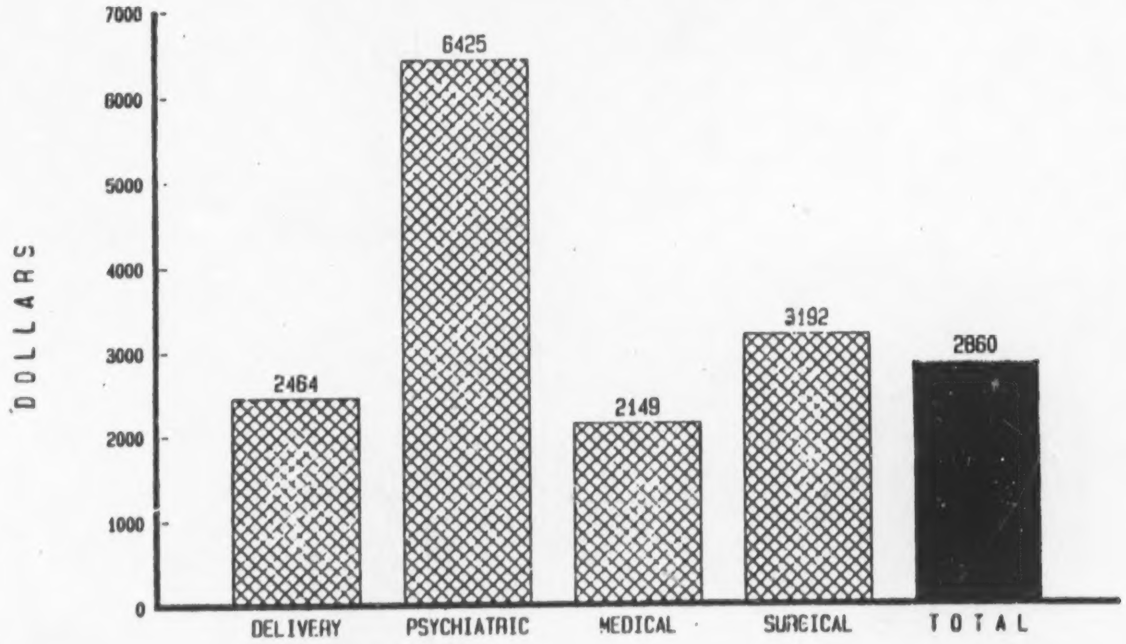
* Data for FY 82 include care received in FY 82 and processed at OCHAMPUS through September 1982.

** Data for FY 83 include care received in FY 83 and processed at OCHAMPUS through September 1983.

NOTE: Costs represent government expenditures only. These data exclude Dental, Drugs and Program for the Handicapped cost and utilization information.

EXHIBIT 2

AVERAGE GOVERNMENT COST PER ADMISSION (HOSPITAL & PHYSICIAN COMBINED) BY TYPE OF CARE FOR F Y 1982



OCHAMPUS INFORMATION SYSTEMS DIVISION
STATISTICS BRANCH
SEPTEMBER 1983.

EXHIBIT 3

TCA - SCOTTSDALE

STAFF

TCA - Scottsdale is a residential treatment service dedicated to providing quality mental health care at reasonable cost. Dedicated to quality programs, yet committed to a caring, home-like environment, the professionals of TCA - Scottsdale assist each individual's progression toward a more self-sufficient, productive life.

Treatment Centers of America is proud of its staff at TCA - Scottsdale. They represent superior professionals across the spectrum of mental health care.

SHIRLEY R. PAULK, R.N., N.H.A.
Administrative Director

Shirley provides administrative direction for the day-to-day operations of TCA - Scottsdale. She received her RN degree from St. Francis School of Nursing in Hartford, Connecticut in 1966. She has had experience as an administrator at Kingman, Arizona prior to coming to Scottsdale Christian Home. She is a licensed Nursing Home Administrator, and is currently working on a degree in Health Services Administration from the University of Phoenix.

ROBERT SHAPIRO, M.D.
Medical Director

Dr. Shapiro received his pre med and medical education at the University of Buffalo, now State University of New York, from which he graduated in 1951. His psychiatric specialty training was received at St. Elizabeth Hospital in Washington, D.C. and the University of Michigan Neuropsychiatric Institute. He is board certified in psychiatry. He received his psychoanalytical training at Southern California Psychoanalytic Institute in Los Angeles which resulted in a Ph.D.

Dr. Shapiro came to the Valley in 1957 and served as the director of Maricopa Child Guidance Clinic for two years before entering private practice in Phoenix.

Dr. Shapiro is presently president of the Arizona Psychiatric Society, a state organization of psychiatrists. He has served on the Phoenix Board of Education for five years (president one year) and on the governor's committee for the merit selection of Superior Court judges. He currently is affiliated with the Arizona Guidance and Counseling Center in Scottsdale and is on staff at St. Lukes Hospital, Scottsdale Memorial Hospitals and Phoenix and Scottsdale Camelback Hospitals.

GREGORY M. CROW, PH.D.
Program Director for Residential Service

Dr. Crow received his BA degree in Psychology and Pre-Med. in 1971 from the University of Minnesota, Minneapolis; Minnesota; and his Ph.D. in 1975 from Rosemead Graduate School of Professional Psychology, Rosemead, California. His professional backgorund includes practicum experience at the Clinical Training Center of Rosemead Graduate School, Hacienda Psychological Services and Camarillo State Hospital. His internship was with Pomona Psychiatric Hospital, Pomona, California. Additionally, he has had clinical experience at Alhambra Psychiatric Hospital, Rosemead, California; Las Encinas Hospital, Pasadena, California; and in private practice with Samuel L. Maybugh, Ph.D. and Associates, Arcadia, California. He is presently with Psychological Counseling Services, Scottsdale, Arizona.

PRICE LOCKE, PH.D.
Mental Health Coordinator

Dr. Locke received his doctorate in clinical psychology in 1982 from Purdue University, West Lafayette, Indiana, after which he completed his internship at the Veteran's Administration Medical Center in Tucson, Arizona. He has had experience in a variety of inpatient and outpatient settings, and has been a certified psychologist since 1982. His areas of specialization include cognitive behavioral psychotherapy, objective psychodiagnostic assessment, neuropsychology, and medical psychology.

GAYLE L. BEDICK, R.P.T.
Physical Therapy Services

Gayle received a BS in Physical Education from ASU and a certificate in Physical Therapy from the U. S. Army School of Allied Health, For Sam Houston, Texas. Her professional background includes two years' service in Viet Nam for the Army, treating burns, neurological disorders, multiple fragment wounds, peripheral nerve injuries as well as amputees, general orthopedics and pre-postpartum conditions at Fitzsimon and Brooke General Hospitals. She spent twelve years pursuing various disciplines within the physical therapy profession and most recently was with the Scottsdale Public Schools administering sensory integrated therapy to handicapped and disabled children. She is one of the few Physical Therapists in the nation certified in the SCSIT Battery for learning disability screening. She is equally qualified in joint mobilization, muscle energy and applied kinesiology techniques.

CONTRACTED STAFF SERVICES

RALPH EARLE, M. DIV.,PH.D.
- Family Therapy: Marital, sexual, individual
- Communication skills training
- Child custody litigation
- Leading training seminars in marital and sex therapy
- Consultation to corporations in stress management and effective communication
- Consultation with churches

BILL RETTS, PH.D.
- Individual, marriage and family therapy
- Vocational
- Biofeedback: Phobias, de-sensitization, eating disorders, stress communication
- Consultation with churches
- Spiritual counseling
- Consultation with business: Personnel evaluations

SHERRY HARRISON, PH.D.
- Individual marital and family therapy
- Psychosomatic complaints
- Chronically ill children and their families
- Child custody evaluation
- Abusive families
- Women's concerns
- Stress Management
- Groups: Two-career couples, social skills, building assertiveness

JEFF HARRISON, PH.D.

Individual, marital and family therapy
Hypnosis
Child custody evaluation
Severe psychological symptoms in children
Counseling with athletes: Enhancement of performance and personal living concerns

CYNTHIA MORSE, R.N., A.C.S.E.

Individual, marriage and family therapy
Sex therapy.
Groups: Divorce recovery, teen and social skills building
Sexual abuse
Training in sex education and therapy
Communication skills training
Bereavement counseling
Sex therapy with cardiac patients and other handicap areas

MARCI HARRIS, M.C.

Psychological and Educational evaluations for children
Counseling with very young children and their parents: Play therapy and family therapy
Group counseling with children and adolescents
Individual, marital and family therapy
Groups and workshops: Parenting skills, marriage and family enrichment,assertiveness
Consultation and training: Cross-cultural dynamics

ADMISSIONS POLICY

Treatment Centers of America is dedicated to providing the following quality mental health services at a truly reasonable cost:

Adult Mental Health
Substance Abuse
Eating Disorders
Special Geriatric Assessment and Treatment
Psychological and Neuro-Psychological Assessment
Stress Management
Home and Health Facility Consultation

TCA - Scottsdale is designed to actively treat emotional, mental and behavioral conditions of adult patients who cannot be appropriately treated in an outpatient setting, or do not require the intensive services of an acute care facility. To provide the best possible service to these patients, the following guidelines have been established:

1. Patients will be at least 18 years of age. Any exception to this policy would need to be approved by the Program Director.

2. The attending physician must attest to the fact that this patient meets the criteria for residential care services set forth in the facility Quality Assurance/Utilization Management plan.

3. Patients who have chronic long-term psychiatric disorders cannot be effectively treated in this environment, but may be evaluated and referred to an appropriate facility.

4. Super acute care procedures requiring extensive physician monitoring are not provided in this facility. No involuntary admissions are accepted.

5. Emergency admissions are not appropriate in this facility. Emergency admissions should be referred to psychiatric or medical hospitals with emergency staff and facilities.

6. Transfers from acute hospitals are acceptable. Appropriate transfer of records and forms completion will be handled by the Admissions Coordinator.

7. Referrals are accepted from physicians, psychologists, self-help groups, nurses, social workers, community agencies, industry, clergy, families and from individuals themselves. Patients must be admitted by order of an M.D. either the Medical Director of Residential Service or an attending physician.

8. Admitting privileges can be provided to any qualified physician or psychologist. The community based practitioner can follow the patient or refer the patient to in-house staff during his treatment program.

TREATMENT CENTERS OF AMERICA
MENTAL HEALTH PROGRAM

DAILY SCHEDULE

MON	TUE	WED	THU	FRI	SAT	SUN
Breakfast	Breakfast	Breakfast	Breakfast	Breakfast	Breakfast	Breakfast
Group Therapy	Group Therapy	Group Therapy	Psychodrama	Group Therapy	Group Therapy	Church Activity (Voluntary)
Eating Dis. Grp. (If appropriate)	Assertion Therapy	Eating Dis. Grp. (If appropriate)	Assertion Therapy	Eating Dis. Grp. (If appropriate)		
	Psychodrama	Transactional Analysis	Spiritual Integration	Transactional Analysis		
Spiritual Integration						
		Current Issues		Community Meetings		
Lunch	Lunch	Lunch	Lunch	Lunch	Lunch	Lunch
Transactional Analysis		Relaxation & Stress Mgmt.		Relaxation & Stress Mgmt.		Activity Therapy
Human Sexuality		Women's & Men's Grps.		Human Sexuality	Activity Therapy	
Recreational Therapy	Phys. Therapy & Planned Outing	Recreational Therapy	Phys. Therapy & Planned Outing	Recreational Therapy		
Dinner	Dinner	Dinner	Dinner	Dinner	Dinner	Dinner
Family Therapy to 8:30	Self Help Groups	Family Therapy to 8:30	Self Help Groups	Self Help Groups	Self Help Groups	

Activities such as individual psychotherapy, physical therapy, discharge planning, and therapeutic leaves are scheduled by the professional practitioner.

TREATMENT CENTERS OF AMERICA
ALCOHOL/CHEMICAL DEPENDENCY PROGRAM

DAILY SCHEDULE

MON	TUE	WED	THU	FRI	SAT	SUN
Breakfast	Breakfast	Breakfast	Breakfast	Breakfast	Breakfast	Breakfast
Group Therapy	Group Therapy	Group Therapy	Psychodrama	Group Therapy	Group Therapy	Church Activity (Voluntary
Step Studies	Assertion Therapy	Step Studies	Assertion Therapy	Step Studies		
Chem. Dep. Orientation	Psychodrama	Transactional Analysis	Med. Aspects of Alcoholism/C.D.	Transactional Analysis		
Spiritual Integration			Spiritual Integration			
		Current Issues		Community Meetings		
Lunch	Lunch	Lunch	Lunch	Lunch	Lunch	Lunch
Transactional Analysis	Sub. Abuse Group	Relaxation & Stress Mgmt.	Sub. Abuse Group	Relaxation & Stress Mgmt.		Activity Therapy
Human Sexuality	Films & Presentations	Women's & Men's Grps.	Films & Presentations	Human Sexuality	Activity Therapy	
Recreational Therapy	Phys. Therapy & Planned Outing	Recreational Therapy	Phys. Therapy & Planned Outing	Recreational Therapy		
Individual Studies		Individual Studies		Individual Studies		
Dinner	Dinner	Dinner	Dinner	Dinner	Dinner	Dinner
Family Therapy to 8:30 AA/Al Anon	AA/ Al Anon Family Therapy	Family Therapy to 8:30 AA/ Al Anon	AA/ Al Anon Family Therapy	AA/Al Anon	AA/ Al Anon	N.A.

Activities such as individual psychotherapy, physical therapy, discharge planning, and therapeutic leaves are scheduled by the professional practitioner.

RATES PER DAY

24 Hour Inpatient Program

$138.00

This rate includes the following:

- -Daily room charge and housekeeping
- -24 hour on-call physician coverage
- -All meals and nourishments
- -Formal specialized treatment programs
- -Milieu group services provided by facility
- -Activity/Recreational therapy
- -Consultation and assessment by registered dietician
- -Social services
- -Occupational Therapy

This rate does not include:

- -Community-based attending physician's charges (or those of other community-based professionals)
- -Basic ancillary services: Physical therapy, lab, x-ray
- -Central supply costs
- -Laundry
- -Private duty nursing (if needed)

SPECIAL TREATMENT PROGRAMS

Day treatment - inclusive of evening sessions, but with no overnight stay	$100.00
*Partial day treatment - ½ of normal day schedule	50.00
*Night treatment	90.00

It is the intent of TCA - Scottsdale to offer services of the highest standards at the lowest possible rates. We respect the need for, and strive to deliver, superior value for the healthcare dollar. Accordingly, it is the policy of TCA - Scottsdale not to offer discounts for services.

*Both the night treatment and partial day treatment program would normally follow the full inpatient or day treatment program.

COMPANY-OPERATED FACILITIES

Senator **Rudman**. Doctor, how many of these facilities does your company operate?

Mr. **Mayhugh**. We are currently operating two, one in Arizona and a large one in southern California underway, with about six facilities in development.

Senator **Rudman**. Is this a publicly held company or private?

Mr. **Mayhugh**. It is currently a privately held Delaware corporation.

Senator **Rudman**. I assume there are a number of accreditations it must receive to operate?

Mr. **Mayhugh**. Yes. The Joint Commission on Accreditation of Hospitals is pending at both places. Applications are on file.

Senator **Rudman**. How long have these facilities been operating?

Mr. **Mayhugh**. The facilities themselves have been operating for many years. We go in and use underutilized beds or wings. In Arizona we have taken a wing of a skilled nursing facility and converted it to behavioral health, and drastically reduced our costs but maintained the same level of medical care.

Senator **Rudman**. I guess my question is how long has your company been operating?

Mr. **Mayhugh**. Since April 1983.

Senator **Rudman**. So you really have not had a first initial report from the Joint Accreditation Commission, is that correct?

Mr. **Mayhugh**. No, we have not yet.

Senator **Rudman**. When do you expect it?

Mr. **Mayhugh**. It may well be 8 to 12 months before we are through that process.

Senator **Rudman**. Thank you very much, Doctor.

Mr. **Mayhugh**. Thank you for your attention.

Senator **Rudman**. The next witness will be C.A. Mack McKinney, Executive Director for Government Affairs, Non Commissioned Officers Association.

NON COMMISSIONED OFFICERS ASSOCIATION OF THE UNITED STATES

STATEMENT OF C.A. McKINNEY, SERGENT MAJOR, USMC (RETIRED), EXECUTIVE DIRECTOR FOR GOVERNMENT AFFAIRS, NON COMMISSIONED OFFICERS ASSOCIATION OF THE UNITED STATES OF AMERICA

RETENTION PROGRAMS TO KEEP QUALIFIED PERSONNEL

Mr. **McKinney**. Good morning, Mr. Chairman. It is good to see you again.

Senator **Rudman**. Good morning. Nice to see you.

Mr. **McKinney**. Thank you for this opportunity to appear today to express the views of my association. Of course, some of these views, a lot of them have been formulated not only by our general membership in convention, but in our conversations and meetings with senior enlisted chiefs of the services, and of course from our members in the field and other interested military personnel.

Our theme is retention of qualified and experienced military personnel to insure maximum readiness of our Armed Forces. NCOA would submit to the distinguished panel that it was the Non Commissioned Officers Association that warned Congress nearly a decade ago, and that is even before the military itself sounded the alarm, that all was not well with military personnel.

Some of the warning signs are beginning to appear on the surface again, and we have listed them in our prepared statement, and of course encourage the subcommittee members to look over those warning signs, because these are identical to those that appeared some 10 years ago.

ACTIVE DUTY STRENGTHS

The next item we would like to address is active duty strengths. We believe, with the total commitments that are placed on the active duty military services today, that we certainly have not sufficient numbers of active duty personnel, and no cost factors enter the picture.

A lot of people have suggested that we turn to the Reserves to be more cost effective. We have nothing in opposition to bringing more reservists aboard. We think that is an excellent idea. But it does not do much to help the active duty people in the stress that many of them are feeling with longer tours of duty overseas and, of course, longer tours aboard ships at sea.

We have provided a chart on page 4 which notes the number of people that are overseas in the active forces and in CONUS. This is as of September 30, 1983. And I might add to that, Mr. Chairman, that the CONUS figure of 1.3 million is 200,000 less than it was the year preceding that. So we do have a problem.

If Congress should insist on reducing the manpower costs by increasing reserve strengths, then we would suggest that legislation be provided permitting the services to call on the reserve forces to help relieve the stress on many of the active duty personnel.

COAST GUARD RESERVE STRENGTH

We have also asked for an increase in the Coast Guard Reserve strength. There now exists a deficit of some 3,000 or 4,000 selected reservists, and if that service is not authorized to correct the deficit over the next few years it may not be fully prepared in the event of an emergency mobilization. We feel also that if we do not do something in fiscal year 1985, 1986 may be too late to begin.

MILITARY COMPENSATION AND RELATED BENEFITS

We have addressed, of course, at length military compensation and related benefits. There has been a recommendation for a 5.5-percent increase in pay, which is not really a 5.5-percent increase for the total fiscal year because of the delay in the pay increase to January 1, 1985.

However, if Congress approves and funds all the personnel programs contained in the defense request for fiscal year 1985 and funds also the programs authorized in previous years, the Association would accept the 5.5 pay increase as a base and as an attempt to give an incentive to our people to stay aboard.

We have conducted some limited studies, Mr. Chairman, over the past 2 or 3 months to compare military pay with civilian pay. On page 28 we have a chart which we prepared using U.S. News and World Report on civilian pay for 1982 showing average wages and the 1982 costs of RMC per service member on your right and the cost of RMC per service member in 1984 on the left side.

You will note that it is way down at the bottom of the list. This does include estimated cost, basic pay, and quarters, subsistence allowance, plus tax advantages for 1982. We do not include VHA in here, simply because only one-third of the enlisted force is in receipt of VHA.

The next page, on page 29, we have taken some military pay grades back as far as 1942, found a comparable civilian pay grade, civil service pay grade, brought it up to date, and you might notice the difference. In those, again we do not include VHA because of the disparity in the numbers that VHA has paid.

We also found that an E-7 with 14 years of service could earn a maximum of $3,787 annually in 1942, compared to his nearest Federal employee grade at $3,800. This was $4,000 minus the $200 contribution that the civilian employee had to make to the civil service retirement fund. For a 10-year period in 1975 to 1984, that Federal pay grade outdrew the pay grade E-7 with 14 years by some $37,000.

I know there are some who will disagree with our figures simply because they say we have failed to include the additional costs of the in-kind allowances, housing advantages, et cetera. However, the NCOA does say that if we are going to count all the beans in the pot, maybe we should not make the soup so thick and look at some of the credits that should be given to the serviceman rather than the debits, and we have listed some of those on page 30.

We think that recruiting and retention, although very successful at the current time, will not continue. But we would like to see the quality that has been brought into the forces since 1981 remain there. We need these type of people. We have got a better military service than I think we have ever had.

But if we do not provide something and kill some of the perception that the military personnel are feeling in the field, we are going to lose a lot of them, like we did in the late 1970's. I do not think we can go back to a draft, and we have explained why.

I have also mentioned on deficit spending and then went into special pays, which I hope the subcommittee will consider in its deliberations.

MOVING ALLOWANCES

They are a very great necessity for our people, because many of them are paying money out of their own pockets. We have also asked Congress for other allowances and special pays, which many of them are contained in the fiscal year 1985 defense request.

However, we did add one in there and that is 100 percent CHAMPUS for certain dependents. Those are the dependents of the people who are on active duty and who are assigned to independent type duty not within commuting distance of military installations. It is a cost factor out there, it is a very great cost factor for those people, and we would suggest that if you would sir, please consider that in your deliberations.

The rest of my statement I hope that the committee will consider, and I am prepared to answer any questions you may have at this time.

[The prepared statement of Mr. McKinney follows:]

THE NON COMMISSIONED OFFICERS ASSOCIATION OF THE UNITED STATES OF AMERICA

STATEMENT OF

C. A. (MACK) MCKINNEY
Sergeant Major USMC Ret.
Executive Director for Government Affairs

MR. CHAIRMAN. On behalf of the members of the Non Commissioned Officers Association of the USA (NCOA) I appreciate this opportunity to express the views of the Association. They have been formulated by the general membership in convention last July and through subsequent input from the senior enlisted chiefs of the armed forces and our members and other interested military personnel serving around the world wherever the United States has stationed its men and women in uniform.

This statement has but one general theme built around two major issues--military manpower and military compensation and related benefits. That theme is **"retention of qualified and experienced military personnel to ensure maximum readiness of our armed forces."**

WARNING SIGNALS

NCOA reminds this distinguished panel it was the organization that warned Congress nearly a decade ago, even before the military sounded the alarm, all was not well with military personnel. The Association's warnings went unheeded until the then Chief of Naval Operations told Congress the Navy could not get its ships to sea and the Army's Chief of Staff complained of having a "hollow" army. Both were suffering major shortages of qualified noncommissioned and petty officers and mid-grade commissioned officers. These servicemembers were leaving the military in droves. Most significantly was the loss of career personnel, those with 8-to-even-17 years of experience and knowledge in technical occupations and mid-level leadership positions.

In 1980 and 1981 Congress itself became alarmed. The actions it took in those two years halted the exodus and gave the military services the opportunity to steady their management of the forces. At the same time, high unemployment in the civilian sector sent hundreds of thousands of young men and women to recruiting stations across the nation. Accessions improved dramatically and retention rates climbed to record highs. The quality of personnel jumped most significantly, morale scored an all-time high, and military personnel readiness reached its best level in years.

Much of the same remains today but signs are beginning to spring up here and there that forecast harder times ahead.

*The economy is improving. In a NCOA survey conducted in the Norfolk-Virginia Beach area of Virginia more than 4,600 military respondents have answered the question: "To what extent does the state of the economy affect your decision to remain on active duty?" More than 44 percent (2,049) say "a lot." More than 34 percent (1,590) say "some". Only 21.4 percent (989) say "none."

*Civilian job market opening up again. Senior enlisted chiefs of all services are reporting to NCOA that there are increased numbers of first and second term enlisted personnel looking for civilian jobs so they may hang up their uniforms.

*Congressional actions and "perception" are causing concern. Pay caps and "freezes" on some allowances, inequitable permanent change of station (PCS) allowances, and threats to the current military retirement system as well as certain military benefits (i.e.--commissary stores) are reflections of the early and mid-1970s. It was almost these identical concerns that caused the mass exodus of the mid and late 1970s.

*"Walk-ins" at Army recruiting stations are declining. The reported 22% drop in available "walk-ins" will lower the number of non-prior service personnel that may be "pooled" for later assignments to active duty. Could be a major concern in 9-to-12 months.

*Some reserve forces are falling short in manpower goals. The Army's reserve units have experienced a 1500-man shortfall in meeting 1st Quarter, FY 1984, recruiting goals.

*The Navy's Recruiting Command is concerned. The Navy's top recruiting officer anticipates some difficulty during 1985 in meeting accession goals.

*Fewer recruitable-age youths will be eligible for military service. Reports from reliable sources indicate that because of a population shortfall there will be fewer youths available for recruiters to contact in the very near future.

*Reenlistment rates are dropping. The U.S. Army reenlisted only 96.6 percent of its objective for the last fiscal year. This was a decrease from the 98.3 percent attained during FY 1982.

*Lower mental groups reenlisting at a higher rate than others. In FY 1984, the Army has reenlisted more than twice the number of mental category IV soldiers than it did the next highest category (III-B). Cat. IV first-term reenlistments topped the ratings at 46.9 percent.

*Any significant change in the current military retirement system will cause a drain of talent. In a world-wide NCOA survey initiated only last month many of the active duty respondents have alluded to leaving the military if Congress makes any change to the current military retirement system.

With these unpleasant but enlightening facts, NCOA is in hope that what it has to offer on military manpower and compensation will not be taken lightly by this distinguished panel. The members of this subcommittee will play a major role in sustaining the high-readiness posture of our armed forces in FY 1985, or relegating military personnel to a lesser role and, possibly, recreating the disasterous exodus of manpower experienced in the latter half of the 1970s.

ACTIVE DUTY STRENGTHS

For FY 1984 Congress made deep cuts in the Defense budget request for increases in active duty strengths. Instead, it adopted higher numerical levels for the reserve and guard forces.

Again this year DoD has asked for major increases in active duty year-end strength figures for FY 1985. And, again, there are those in Congress who believe the numbers can be shaved in favor of increased reserve forces without damaging the current manpower readiness posture.

There is nothing wrong in beefing up the reserve forces for mobilization providing reserve units are adequately equipped and have the proper facilities for training. This, however, is not the case for most units.

There also is no argument that reservists cost the government less than their regular counterparts. But there's something wrong in increasing the size of the reserves simply to save money or produce higher military manpower figures on the basis that numerical strengths will indicate this nation's resolve to meet its world-wide commitments. Neither alleviate the mounting problem of having insufficient manpower available to support the physical commitments given the active forces.

There's also something amiss in the idea that it's right to bring into the active forces more and more weapons, supportive systems and equipment while putting increases in active duty manpower on the back burner. Yet, at the same time, saying it's okay to add more reservists to the total force structure without providing modern weapons, systems and facilities necessary to properly train them for mobilization. It doesn't make good sense.

Currently the United States has about one-fourth of its active military strength committed to foreign duty, sea duty or deployments. Another 240,000-plus are stationed outside of CONUS in or around U.S. territories, Alaska, Hawaii, or at special locations. In CONUS there are a little more than 1.3 million servicemembers of which 300,000 or more are entering the military, leaving the military or undergoing initial or advanced training cycles. (See CHART 1).

CHART 1

ACTIVE DUTY PERSONNEL BY REGIONAL AREA

Sep. 30, 1983

1. TOTAL FOREIGN COUNTRIES:	
Ashore	450,258
Afloat	69,259
2. TOTAL U.S. TERRITORIES OR SPECIAL LOCATIONS:	
Ashore	78,068
Afloat	165,131
3. TRANSIENTS	59,350
4. CONUS	1,301,283

(Source: DoD Manpower Statistics, Oct. 1983)

The end result is two-fold: 1)- the military services have difficulty in trying to manage too many manpower commitments with too few servicemembers and insufficient permanent change of station (PCS) funds forcing them to lengthen overseas and sea duty tours and speed up the number of turn-arounds for servicemembers assigned to deployable units; and 2)- places considerable stress on military personnel which, if not relieved, will cause many to shed their uniforms for civilian attire. Congress cannot in these modern times with an active force that is more married than single expect servicemembers to accept frequent long and oft-times arduous assignments and family separations without an adverse impact on morale.

If Congress insists on reducing manpower costs by increasing reserve strengths, then let it pass legislation permitting the services to call to active duty certain individual reservists to relieve the pressure on the active forces. The military should be permitted to activate reservists for 36-to-48 months and assign them to overseas tours, sea duty tours or deployable units. Although their activation will save nothing while serving on active duty, they will cost less money over the long run than regular servicemembers.

COAST GUARD RESERVE

For FY 1984 Congress increased most guard and reserve strengths but seems to have forgotten the Coast Guard Reserve. NCOA encourages at least a 5 percent increase in this component for FY 1985 as the current strength of 12,000 is far short of the Coast Guard's wartime requirement.

There now exists a deficit of some 3,000-to-4,000 selected reservists required to meet the Coast Guard's existing mobilization plans. If that service is not authorized to correct the deficit over the next few years, it may not be fully prepared in the event of an emergency mobilization.

If ever a time is ripe to increase the Coast Guard Reserve it is now. With the economy improving and a shortage of eligible youths lurking on the horizon, FY 1986 may be too late to begin.

RECRUITING

Two military manpower proposals may be considered this year by Congress. The first would allow foreign youths to be recruited for the active military forces and the second would authorize the military to recruit youths for assignment to community and technical colleges while undergoing ROTC-like training then, upon graduation, enter active duty in noncommissioned or petty officer ranks as high as pay grade E-8.

NCOA urges the adoption of the first proposal, currently S. 2296, sponsored by the Honorable Strom Thurmond, U.S. Senator from South Carolina. The U.S. Army needs bilingual soldiers and there is no other way to obtain them than through this legislation.

NCOA strongly opposes the second proposal. The Navy recently attempted a similar program of offering lateral entry NCO/PO grades to experienced civilian technicians without success and over the objections of most of its senior enlisted petty officers. These programs may work if technicians could be separated from leadership positions. However, when end-strengths are reduced or there is a shortage of NCOs or POs, technicians have been thrust into positions of leadership. Although willing, their lack of experience in handling troops almost guarantees failure. There are other reasons to oppose this type legislation and NCOA will be pleased at the request of the panel to provide them for the record.

MILITARY COMPENSATION AND RELATED BENEFITS

The NCO Association does not concur with the President's recommendation of another pay cap for FY 1985. Two pay caps already have been imposed these past two years on the military; one for 4% and the second for less than 4% because it was delayed for 3 months. The proposed pay hike also is a delayed increase which again reduces the percentage, this time below the recommended 5.5 percent.

NCOA suggests a 10 percent increase in pay. This would bring military wages close to "comparable" levels with civilian sector salaries. However, if Congress approves and funds all of the personnel programs contained in the defense request for FY 1985 and funds the programs authorized in previous years, NCOA would accept the 5.5 percent pay increase but only as a minimum base.

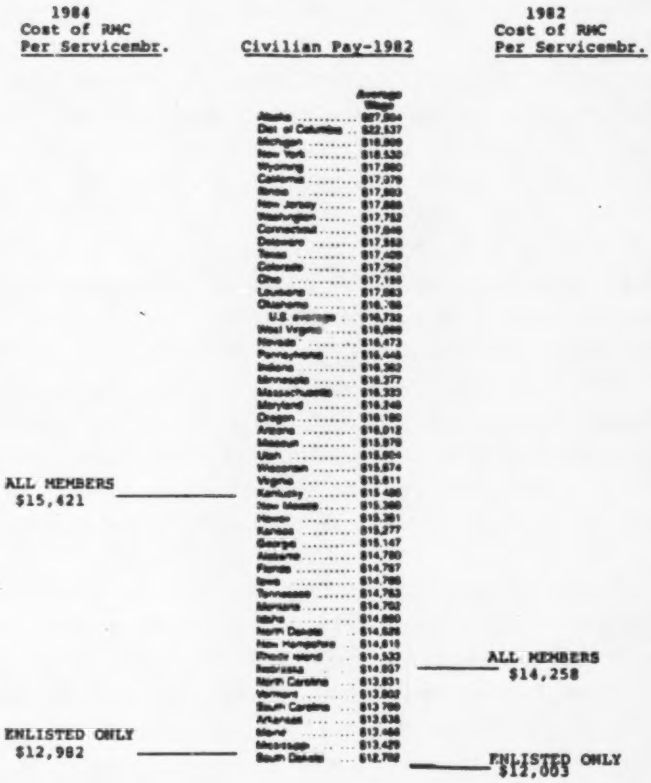
The Association conducted two limited studies over the past 2-to-3 months. **The first resulted in the discovery that the estimated average costs of Regular Military Compensation (RMC) for enlisted personnel of the armed forces in 1982 fell below the average pay of civilian workers in the state having the lowest average wage in the United States.** When adding two 4 percent increases for 1983 and 1984, the estimated average RMC cost per enlisted servicemember in 1984 still remained below the average pay of civilian workers in the state having the second lowest average wage in the United States for 1982.

For all servicemembers, the average estimated cost of RMC for 1982 was in the bottom 16 percent of the States with the lowest average civilian wages for that year. Again, bringing the 1982 estimated average cost of RMC up to the 1984 level, the all-servicemembers group remains in the bottom 45 percent of the States having the lowest average civilian wages for 1982.

The following chart provides a much more visual perspective for the above comparisons:

CHART 2

Average Civilian Pay, 1982- State By State- Compared to Estimated Average Cost of Regular Military Compensation 1982 & 1984



NOTES:

RMC is the total of estimated costs of basic pay and quarters (BAQ) and subsistence (BAS) allowances, plus tax advantages, for 1982. Cost estimates for 1984 were computed by adding 4% increases for each of the following 2 years.

Adding 1982 variable housing allowances (VHA) for all enlisted members increases the estimated average cost of RMC for Enlisted only to $12,265-still below the lowest average civilian wage by State. For all servicemember the 1982 cost would be $13,291 but still below the average civilian wage for the State of Mississippi.

SOURCES:
Civilian Pay- U.S. News & World Report (from Dept. of Labor data)
RMC- Military Compensation Background Papers, Second Edition, July 1982, Dept. of Defense.

In the second study, a comparison of military pay with that of federal civil service employees for 1942 through 1983, NCOA found that the federal pay of those nearest to the highest military pay scales in 1942 for five randomly selected pay grades has increased at a much greater pace than those of the military. (See following chart:)

CHART 3

MAXIMUM ANNUAL COMPENSATION
FOR FIVE MILITARY PAY GRADES
COMPARED TO NEAREST FEDERAL
EMPLOYEE PAY GRADES--1942 & 1983

		1942	
MILITARY		**CIVILIAN**	
GRADE[1]	**SALARY[2]**	**GRADE[3]**	**EQUIVALENT SALARY**
O-5	$8,196	CAF-15B	$8,250
O-3	$6,516	CAF-13B	$6,500
E-7	$4,204	CAF-10G	$4,100
E-6	$3,852	CAF- 9G	$3,800
E-5	$3,528	CAF- 8G	$3,500
		1983	
MILITARY		**CIVILIAN**	
GRADE[1]	**SALARY[2]**	**GRADE[3]**	**EQUIVALENT SALARY**
O-5	$46,452	GS- 15/2	$50,171
O-3	$31,999	GS- 13/2	$36,094
E-7	$26,996	GS-10/10	$29,003
E-6	$20,916	GS- 9/10	$26,331
E-5	$18,263	GS- 8/10	$23,838

NOTES:

1- Equivalent 1983 pay grade
2- Maximum salary earned by the pay grade (at left) that includes basic pay and quarters (BAQ) and subsistence (BAS) allowances. VHA was not included for two reasons; 1)- was not paid to servicemembers until FY 1981 and 2)- was paid to less than 1/3 the enlisted grades and 56% of the officer grades. Avg. payments in 1983 were about $845 for enlisted and $1,067 for officers.
3- Civilian pay grades for 1942 were converted in 1962 to the pay grades identified for 1983

SOURCE:

Military Pay- Department of Defense
Civilian Pay- Office of Personnel Management

In the mid-level pay scales for the military grades referenced above, NCOA also found that an E-7 with 14 years of service could earn a maximum of $3,787 annually in 1942. The nearest federal employee grade earning close to that amount was a CAF-10F at $3,800 ($4000 minus $200 contribution to the civil service retirement fund).

By 1984, the E-7 grade offered a maximum salary of $21,927 ($23,136 less social security contributions of $1209) while the federal grade, now a GS-10, Step 6, offered annual wages of $24,702 ($26,938 less retirement and old age health insurance contributions of $2,236).

For a 10 year period, 1975-1984, the federal grade offered an estimated $37,000 more in salary than that of the military's pay grade E-7.

No doubt there will be those who disagree with the above figures, especially for the military pay grades. The claim will be NCOA has failed to include additional costs, most of them "in-kind", associated with military compensation; i.e.- health care, housing, tax advantages, retirement, bonuses, special pays, commissary and exchange privileges and morale, welfare and recreation facilities. However, NCOA firmly believes that since the same costs normally are not included in civilian salaries, they should not be counted as part of a servicemember's annual pay.

However, if some insist on counting all the "beans that go into the pot," NCOA recommends they also thin down the soup by crediting servicemembers with all the "niceties of life" missed while aboard ship--some for as long as 9 months or more--or deployed in foreign countries, as was the case in Lebanon, for months at a time and for some, 2 or 3 tours.

And let's not forget the ones who are serving or have served in Korea or those who served in Vietnam, many of the latter still on active duty. Certainly, they should be given credits instead of debits. A few suggestions for credits are listed below.

. Living in bunkers, quonset huts, crowded berthing spaces, substandard quarters, tents, or in-the-open in lieu of housing or adequate quarters.

. Separations from family.

. Working in inclement weather and the elements, substandard facilities, crowded spaces, and/or without adequate equipment instead of a climatically-controlled building with adequate space and equipment.

. Working in dangerous areas where someone wants to end a servicemember's life. (Credits to be given each time someone fires a weapon at one of our servicemembers.)

. Eating cold or luke-warm food while sitting on a cold ground or in-the-open sharing "tid-bits" with insects instead of eating hot food in a dining facility.

. Working overtime without pay or standing watch or additional duties over the weekend when the Servicemember would rather be doing something else.

- Moving every two-to-four years involuntarily with reimbursements far below expenses.

These suggestions could go on for pages but NCOA believes the reader can get the idea that there are far more credits to be given our servicemembers than debits. This is why NCOA urges Congress to authorize and fund improvements in pay and compensation for our military personnel. The idea that pay caps, delays in pay increases and failures to authorize and/or fund certain military "people" programs is justified because of current successes in recruiting and retention, or because they hold down the soaring deficit, is pure nonsense.

Recruiting and Retention

The success the uniformed services have enjoyed in recruiting and retention can be principally attributed to the sputtering economy. A historical review of these programs since World War II proves that when the economy is good recruiting and retention suffer. When the economy is on the downside, as it has been in the immediate past years, military manpower is blessed with the best of times.

Congress must not permit current successes to cloud the future and continued need for quality, experience and knowledge. Each are vital to the readiness of the uniformed services to meet their assigned missions.

To ensure that the services are able to recruit and retain high-caliber personnel, Congress must heed the few warning signs mentioned at the beginning of this statement.

Use of a Draft

There are those who'll say a return to the draft will cure any future losses. NCOA views such a suggestion as archaic, costly and, most of all, not in the best interest of the uniformed services. The United States need not return to the draft unless there is a national emergency demanding universal service.

The use of the draft in other than a national emergency is neither practical, cost-effective nor politically feasible. The draft at this time would not assure qualitative distribution nor could it be universally administered. Obligated active-service would have to be for shorter periods than volunteer enlistments, thereby, providing insufficient training time in the use, repair and maintenance of sophisticated weaponry dominating current and future defense arsenals.

The only cost-effective and practical answer is to retain the All-Volunteer Force.

To do so, Congress must be willing to support that force by providing fair and adequate compensation. With the current demand on volunteers to once again lay their lives on the line for the defense of this Nation and for world peace, adequacy becomes a question of not dollars and cents but what this Congress and the citizens of the United States are willing to pay.

Deficit Spending

The case for savings in deficit spending by reducing the military personnel account is a weak one. There are many expensive weapons systems being approved that could be delayed or decreased in numbers so a fairer compensation may be provided to servicemembers. The argument that these highly-sophisticated weapons are needed more so than quality manpower is utterly ridiculous. There is no rhyme or reason why the armed forces first must have one without the other.

An excellent argument might be centered around the Navy's proposed 600-ship fleet. Sacrificing manpower for ships will resurrect the same problem mentioned earlier. There will not be enough experienced petty officers to take the ships to sea.

Special Pays

In reviewing the special pays and other allowances of military personnel NCOA is puzzled why Congress has long held that those who assume equal risks are not entitled to equal pay. For sound reasons commissioned officers receive higher compensation because they have greater responsibilities. However, when it comes to hazardous duties one man's life and limb is as dear to him as to another.

Currently funds are provided to pay officers $110 each month while performing such duties but only $83 to enlisted personnel. These payments are made to "increase the ability of the uniformed services to attract and retain volunteers for hazardous duty and to compensate for the more than normally dangerous character of such duty." Nothing in this statement justifies an inequitable rate of pay between the officer and enlisted grades.

It is the Association's understanding DoD's Fifth Quadrennial Review of Military Compensation (5th QRMC) has recommended that enlisted rates for Flight Deck Duty Pay, Demolition Duty Pay, Parachute Duty Pay, Experimental Stress Duty Pay, Personal Exposure Pay, and Non-Crew Flight Pay be increased to match those for commissioned officer. NCOA agrees and urges Congress to adopt this recommendation for FY 1985.

Moving Allowances

For some years efforts have been made to increase the allowances for moving expenses incurred by our servicemembers. In studies conducted by the United States Air Force it was apparent that most if not all servicemembers were reimbursed for such expenses at less than the payment available to a comparable federal employee.

For example: The study found that a servicemember, pay grade E-7, moving from the Nation's Capital to San Antonio, TX, as a result of involuntary permanent change of station (PCS) orders, with 3 dependents, would be reimbursed a maximum of $1,602.87. Comparatively, a GS-9 federal employee could receive $15,055.40 for making an identical move with the same number of dependents.

DoD has been unable to increase PCS allowances because Congress has failed to appropriate the necessary funds. Both Senate and House Appropriations Committees believe DoD could better manage PCS funds and, therefore, has cut-back on requests for higher appropriations.

Whether Congress is justified in pursuing this line of reasoning is not the subject of these remarks. What is the issue is fairness and equity. NCOA believes Congress should not penalize our servicemembers because it does not agree the military departments are properly managing PCS funds.

NCOA further believes it is blatantly unfair to provide greater reimbursements to federal employees for expenses of moving than for those incurred by military personnel.

To provide some equity, NCOA urges Congress to authorize increases in Household Goods Weight Allowances for senior officers, warrant officers and enlisted personnel, increase mileage reimbursements to 15¢ a mile and provide additional funds for implementing these new allowances. NCOA also requests that the Temporary Lodging Expense (TLE) program, authorized by earlier legislation, be funded in FY 1985.

The current Household Goods Weight Allowance (HHG-WA) really needs to be increased for all servicemembers. Except for two increases for junior enlisted personnel in 1974 and 1978, no raise in this allowance has been authorized since 1966. Allowances for senior personnel, however, need to be increased to more equitable levels to reflect changes in life styles.

The changes have occured as a result of military policy. Some years ago most senior personnel resided in government-furnished quarters on military installations. Therefore, they did not require higher allowances to move their household effects. Today, due to a reversal in military housing assignments, more senior personnel are living off-post in the civilian community. They have acquired more household furnishings which they are forced to sell at a loss or move at their own expense when in receipt of PCS orders.

These few concessions are a small price to pay for improving the quality-of-life for our valued servicemembers. When one considers a federal employee may be reimbursed for travel and transportation for himself or herself and a spouse to look for new residential quarters prior to making the actual move, for use of temporary quarters, and the expenses paid in connection with the sale of an old residence and the purchase of a new one--or the settlement of an unexpired lease—none of which are available to servicemembers, NCOA believes these requests are truly fair and equitable. Congress should approve them for FY 1985.

Other Allowances and Special Pays

NCOA encourages Congress to authorize and fund increases and improvements in the following allowances and special pays.

*Special Pay for Recruiters, Drill Instructors and Personnel Assigned to Independent Duty. Increase maximum pay to $275 a month dependent on assignment and proximity to military facilities. For example, recruiters and others assigned duties where military medical care, commissaries, exchanges and other facilities are not within commuting distance should be entitled to the maximum payment. Others, close to or working on military installations, would receive payments based on job-stress (i.e.-drill instructors) or on responsibility.

*100% CHAMPUS for Certain Dependents. Provide 100 percent of established CHAMPUS fees as reimbursable to dependents accompanying military personnel assigned to locations outside commuting distances to military medical facilities.

*Hostile Fire Pay. Increase monthly payments to the same amount(s) paid as the lowest hazardous duty incentive pay(s). HFP, first offered in 1952, was increased to its current level ($65) in 1965. Its purpose was "to provide special recognition for the rigors and hazards of combat duty by equalizing extra compensation between combat personnel and personnel entitled to (other hazardous duty incentive pays)." Since 1965 all other hazardous pays have been increased. To equalize the special recognition, HFP should be raised to the lowest payment available for performing other hazardous duties (i.e.- parachute pay).

*Selected Reenlistment Bonuses (SRB). To insure the retention of qualified personnel, particularly those performing in short-skills, Congress is urged to extend SRB authorization and funding through FY 1985.

*Family Separation Allowance (Type II). Involuntary assignments force servicemembers to live apart from their families. Additional costs, that can be substantial, are incurred by both the member and the spouse. Congress in 1963 recognized this additional financial burden imposed on military personnel and authorized monthly payments of $30 to help offset these costs. Inflation has significantly reduced the value of this allowance. Congress is urged to increase the amount to $60 per month for eligible servicemembers.

*Sea Duty Pay. The Navy is short 9,000 petty officers. Unless improved incentives are offered to those that now have to spend longer and more frequent tours at sea, particularly POs with 12-to-20 years of service, more career enlisted personnel may not reenlist. Increasing career sea duty pay as recommended by the Navy will provide retention insurance for future years.

*Standard Cash Clothing Maintenance Allowance (CMA). A number of enlisted members have registered complaints that the CMA is insufficient to maintain enlisted uniform allowance requirements of the services. Once the initial clothing issue needs replacement, the allowance is not sufficiently adequate to purchase and maintain the required uniforms. Unlike civilians who may be able to do so, servicemembers cannot deduct costs of uniform maintenance or purchases in excess of the CMA. This allowance should be increased after the 36th month to $15-to-$20 monthly per servicemember. Currently, the estimated average monthly payment is plus or minus $11.00.

*Enlisted Flight Pay (Crew Member). Reportedly DoD will recommend improvements in the enlisted crewmember flight pay program. NCOA believes the recommendation is justifiable and should be adopted by Congress for FY 1985.

*BAQ and VHA Allowances. The threat by IRS to rule that BAQ and VHA should be added to a servicemember's reportable gross income for tax purposes--if the member is living in his or her own home--is a blatant attempt to further reduce the compensation of military personnel. Hopefully Congress will act statutorily early enough to halt IRS so there will continue a tax incentive encouraging service members to purchase their own homes. Homeowning by servicemembers adds to the local economy, provides taxes for civilian community services and reduces the demand for military housing. NCOA believes these benefits far outweigh the money IRS will collect through a change in the current tax policy.

SACRIFICING QUALIFIED PERSONNEL

Senator **Rudman**. Thank you very much, Mr. McKinney.

Certainly your point in your statement about spending huge amounts of money for more and more weapons systems at the sacrifice of qualified people is well taken and is one which most members of the subcommittee share. Speaking only for myself, I think it is just like the arguments we get into on O&M.

If we cut personnel and cut O&M, we essentially cut overall readiness in order to keep a procurement level at a particular point that is called for. We end up with the worst of all worlds. I would rather have less equipment being run by fewer but competent people.

SIX-HUNDRED SHIP NAVY

You make a point about the 600-ship Navy. I want to make a point because you picked that in your statement. One of the things the chairman has repeatedly stated in these hearings is, as we look at the personnel requirements and what is planned, the fact of the matter is that we well might not have, as you pointed out, experienced petty officers to take the ships to sea.

We certainly take cognizance of your statement.

Mr. **McKinney**. Thank you, sir.

Senator **Rudman**. As far as your comments about pay, that can be argued in a variety of ways, and I think you certainly made the major points in your statement. I would point out that, with various allowances, subsistence and so forth, and not giving the credit that you very properly point out ought to be given for some of the living conditions, but just leaving that aside for a moment, just strictly looking at dollars, the total pay allowances, the DOD comes up with about $18,800.

With the tax advantages calculated by DOD, the value is about $20,000. That does not in any way discount that figure for the things that you point out in your statement, but I only make the point that, in this year of trying to come up with a military appropriation for the Defense Department that is going to be fair and efficient and maintain our strength, we have got some tough compromises to make.

But we will certainly keep your excellent statement in mind as it refers to the people whom you represent.

Mr. **McKinney**. Thank you, Mr. Chairman.

Senator **Rudman**. We would call William B. Hanley, captain, U.S. Naval Reserve, of the Naval Reserve Association. He is national vice president for legislative affairs.

NAVAL RESERVE ASSOCIATION

STATEMENT OF WILLIAM B. HANLEY, CAPTAIN, U.S. NAVAL RESERVE, AND NATIONAL VICE PRESIDENT FOR LEGISLATIVE AFFAIRS, NAVAL RESERVE ASSOCIATION

ACCOMPANIED BY CAPT. JOHN BELL, U.S. NAVAL RESERVE, AND STAFF, NATIONAL RESERVE ASSOCIATION

STATUS OF NAVAL RESERVE

Captain HANLEY. Good morning, Mr. Chairman, members of the committee. Thank you for hearing us today. You have been most helpful to us in the past and we solicit your continued support of the Naval Reserve and other reserve components.

First I have to apologize for the very large, voluminous document that we submitted for your consideration. The fast track that the Congress is on has called for our testimony here before the markups were made, before the authorization bill was marked, and we do not know how our requests will fare in that arena.

Also, with the increased congressional interest in the reserve-active mix of the total force, we believe it is time to address the issues which will decide whether the Naval Reserve is to be a force in being or a paper tiger. While the Navy is giving more attention to its reserve component now more than ever before, the Naval Reserve is still well behind the power curve on equipment procurement and in personnel.

Congressional leaders have demonstrated their intention to hold the services' feet to the fire in addressing the active-reserve mix in the so-called total force. Secretary Lehman and Admiral Watkins have given strong backing to the Naval Reserve. However, the bureaucracy has a long tail and sometimes the culmination of any ideas are a long time in coming.

An example can be found in last year's budget. Of the approximately $1 billion added to the President's request for Guard and Reserve equipment, less than $30 million was added to the Naval Reserve, and that was done by this committee.

It is quite obvious that when the Naval Reserve is overdue for an infusion of funds, particularly for equipment procurement, it will come from Congress. Although the Navy appears certain to be at work in an effort to modernize the Naval Reserve in the outyears, the Naval Reserve Association is strongly committed to the belief that the time for action is right now.

Secretary John Lehman in his fiscal year 1985 posture statement remarked that:

> The reorganization of the Naval Reserve to a "horizontal integration" has had the effect of shifting a substantial portion of our force structure manning to the ready reserve. The reserves must provide immediate augmentation to the active force in time of emergency across the entire spectrum of warfare. There should be a parallel spectrum of old and new equipment in the reserves in the same proportion as that in the active forces.

ISSUES ON RESERVE STATUS

The issues I addressed in the written testimony include such issues as:

The reserve tactical air wings, as the 14th and 15th Navy air wings;

The HC/HAL helicopter mission consolidation;

Antisubmarine warfare, including subjects as: the TACTAS for the NRF frigates; LAMPS I helicopters for Naval Reserve Force, fleet and Coast Guard ships; P-3C procurement for the Naval Reserve; P-3A/B improvements; shortfalls in the Naval Reserve Construction Battalion equipment;

In the area of legislation: special and active duty pay for sailors in the Naval Reserve ships; and a reservist as Chief of Naval Reserve;

In personnel, an increase in active duty training quotas for category D nonpay personnel;

And Naval Reserve missions.

RESERVE TACTICAL AIR WINGS

The Naval Reserve recommends that the two Naval Reserve tactical air wings be designated as the Navy's 14th and 15th air wings. We believe considerable funds could be saved by doing this, rather than to wait for the 15th and 16th designations. There will always be at least one carrier in overhaul and one in the service life extension program to which the reserve air wings can be assigned.

The reserves already have or soon will possess some of the aircraft needed to be compatible with the carriers, and can receive the remainder of the modern aircraft instead of the planned 14th active air wing. NRA expects considerable cost savings can be realized in procurement, operations and maintenance, and personnel.

HC/HAL MISSION CONSOLIDATION

The HC/HAL are forces not found in the active duty side of the house. They are most effective and most ready.

ANTISUBMARINE WARFARE

Admiral Watkins, referring to the Navy's sealift capability, stated:

> If we cannot project and sustain our military force in the forward defense of our allies, we could be isloated and reduced to defending our own shores. The addition of modern frigates to our force brings the Navy one step closer to having the minimum prudent level of escorts for the wartime mission of protecting vital shipping, underway replenishment groups, and amphibious forces.

ASW MARITIME CONVOY ESCORT MISSION

The Naval Reserve has been given the mission of the ASW maritime convoy escort by the Congress. It is therefore of considerable concern to NRA when the tools assigned and projected to carry out the assigned mission are reviewed and evaluated.

TOWED ARRAY SONAR

The surface reserve is receiving modern frigates, which will eventually number 26 ships. To be effective, however, the ships must have complete weapons capabilities, and that means towed arrays to find targets and helicopters to prosecute them. In the budget crunch, the planners have cut back on the helicopters, not only on the reserve ships but on the active force ships, and the towed array sonar procurement for reserve frigates does not begin to be incorporated for over 5 years.

With the towed arrays sonar and a full complement of ASW helicopters, our Naval Reserve frigates and their dedicated crews can be expected to perform with great efficiency and distinction. Without towed arrays sonar and ASW helicopters, any convoy effort would have to accept a "flaming datum" concept from which to prosecute as enemy submersible: He would actually have to fire a weapon at us before we knew he was there.

Yet, the cost of completely equipping all 18 NRF frigates with both TACTAS and a full complement of ASW helicopters would come to less than half of the cost of just one new DDG-51 destroyer.

The Naval Reserve Association recommends strongly that the Congress direct the Navy to equip all the reserve fleet frigates with the towed array sonar for the FF-1052's and FFG-7's commencing with fiscal year 1985. The NRA further recommends the addition of $54 million to the fiscal year 1985 OPN account to provide for the procurement of seven sets of towed array sonar for Naval Reserve Force frigates. Five sets of the AN/SQR-18 should be earmarked for NRF FF-1052 class ships and two sets of AN/SQR-19 for the NRF FFG-7 frigates.

LAMPS I HELICOPTERS

The Naval Reserve is scheduled to start receiving SH-2 LAMPS I helicopters in April of 1984. Unfortunately, the number of available LAMPS MK I deck spaces and ships far exceeds the number of helicopters that are currently programed to be available in fiscal year 1985 or even 1990. This arbitrary budgeting limitation seriously degrades the ASW hunter-killer capability of the ships.

The FFG-7 weapons systems were designed to accommodate two LAMPS helicopters on each ship to provide the necessary reliability and coverage factor to locate and prosecute ASW contacts.

Adm. Thomas B. Hayward, former Chief of Naval Operations, stated: "Without an effective ASW helicopter, the antisubmarine capabilities of the frigate and destroyer in modern naval warfare are inconsequential."

The present plan would send our ASW convoy escorts into combat against a greatly increased Soviet submarine threat with a reduced capability across the board. It is obvious that with the shortfall in LAMPS helicopters, it would be very dangerous to send in harm's way the ships with their capabilities degraded by this shortage.

NRA recommends adding 6 SH-2F helicopters to the budget in fiscal year 1985, at the cost of $63 million, including advance procurement, and procuring 12 a year thereafter until the LAMPS I deck spaces are provided for all NRF, active and Coast Guard ships. Naval Reservists could and would furnish the second helicopters for the fleet FFG-7's and the single helicopter for the Coast Guard cutters that are not normally utilized during the peacetime efforts.

RESERVE PATROL SQUADRONS—VP

If a procurement rate of nine P-3C aircraft is maintained through fiscal year 1998, there will still be a considerable shortfall in our reserve forces that will occur as the older P-3A and P-3B lightweight aircraft reach the end of their 28-year service life. The Naval Reserve Association recommends that the Congress increase the procurement of P-3C Update III aircraft to 12 per year until the active and reserve force VP requirements are met. It is an approximate cost of $105 million for the three aircraft.

P-3A AND B AQA-7 DISPLAY UPDATE

We propose a buy of five service test models of the display update for the acoustic processor, at a cost of $7.5 million in fiscal year 1985. Provided the system is successful in the service test phase, NRA proposes that display update system be installed in all P-3A and B aircraft, which will not be backfitted with Proteus, that will still have sufficient time remaining in the service life of the aircraft to make the installation worthwhile.

The reserve naval mobile construction battalions, who comprise 17 of the 25 battalions in the Navy, are woefully short of equipment, about $250 million worth. NRA proposes an add-on of $40 million this year as part of a 5-year program to address that shortfall.

PERSONNEL

This is the first time in 8 years we have not addressed the Naval Reserve strength issue. We still have problems with the Navy plan to reach the Navy Manpower Mobilization System—NAMMOS—strength, but at long last they are hiring additional recruiters to try to reach the strength requirements.

In the case of volunteer training units, the nonpay organizations, we do request that $2 million be added to the RPM account to increase the active duty for training periods from 50 percent of those eligible to 71 percent, which is what the Chief of Naval Reserve requested in budget submission.

For my summary, I would like to digress for just a moment. We have a large number of people who have reached certainly a high level of skills within the Navy and within their civilian occupations. They are probably some of our most valuable assets. We do not have the luxury to find pay billets for all of them, so they voluntarily spend their time.

However, their utilization in the fleet in exercises like this are constantly asked for, and the Naval Reserve cannot answer those active service requests because they cannot afford to pay them for 2 weeks active duty. There is a shortfall in virtually every exercise that is prosecuted by the active duty forces.

This would be considerably relieved by this type of opportunity for more nonpay personnel to get this opportunity. In addition to that, many of them are associated with technical commands. I myself am associated with the Naval Air Systems Command. With my avionics background, I tend to save a few million dollars for the Navy every time I go on 2 weeks active duty, and I really ran into an opportunity last year where it appears that savings to the Navy if they take all my recommendations on changing the avionics structure in aircraft will go well over $100 million.

And that type of asset is being lost by not paying the active duty periods for nonpay officers.

Also requested is an increase of $1.75 million for an increase of 47 civilian billets to help support the increased selected reserve strength. The Chief of Naval Reserve received only 21 out of 121 additional billets that he requested. He stated publicly that he needed the 47 billets requested by his command.

As far as legislation goes, selected Reserve incentive pay. NRA strongly urges the committee to support an incentive pay of $10 per drill for enlisted reservists who man the Naval Reserve Force ships. It is estimated that the fiscal year 1985 cost would be approximately $1.056 million, but it would help considerably to keep those ships manned. We will provide a copy of the proposed legislation for the record.

CHIEF OF NAVAL RESERVE, NAVAL RESERVE FORCES

We support legislation to provide for a Reserve flag officer to serve a 4-year statutory tour as Chief of Naval Reserve. NRA believes the most effective Reserve organization is one that has a reservist at its help, such as the National Guard and the Air Force Reserve.

To execute his responsibility, the Chief of Naval Reserve should have operational control of all units of the Naval Reserve, as well as management authority and responsibility for all Naval Reserve activities, to include but not be limited to training, personnel, programs, budgets, policy, plans, and allocation of all moneys appropriated by Congress for the Naval Reserve.

NAVAL RESERVE MISSIONS

We have included a rather large section on this subject, considering that the Navy has submitted a report to Congress on the Navy's total force, February 1984.

However, a quick review of the report reveals that there are still some old habits to break. Some of the recommendations made were positive, such as the Caribbean Initiative. But most of those occur in the out years some time and we are inherently suspicious of out year planning for the Naval Reserve.

Many of the current proposals were decisions that had already been reached before the study, a listing of ongoing actions in the Naval Reserve. We do feel that the report reflected a sincere, but hurried and therefore incomplete, effort to address the Active Reserve Force mix.

Included in our submitted testimony are the caveats which we believe are important to be considered prior to making total force mix decisions. The issues restated this year are believed to still be viable for consideration for the Naval Reserve, either in whole or in part. We look forward to a possible exchange of thoughts on those issues with the Navy.

I do not believe it is necessary to summarize a summary. Those are the concepts that we do hope you will take into strong consideration.

Thank you.

[The prepared statement of Mr. Hanley follows:]

PREPARED STATEMENT OF CAPT. WILLIAM B. HANLEY, USNR
VICE PRESIDENT FOR LEGISLATIVE AFFAIRS
NAVAL RESERVE ASSOCIATION

MR. CHAIRMAN, COMMITTEE MEMBERS, WE APPRECIATE THE OPPORTUNITY YOU HAVE GIVEN US TO APPEAR BEFORE YOU TODAY. YOU HAVE BEEN VERY UNDERSTANDING AND HELPFUL IN THE PAST AND WE HOPE YOU WILL CONTINUE TO BE IN THE FUTURE. YOUR SUPPORT FOR THE GUARD AND RESERVE HAS BEEN PARTICULARLY ENCOURAGING.

SINCE THE AUTHORIZATION BILL HAS NOT BEEN REPORTED, WE WILL NECESSARILY INCLUDE OUR TOTAL REQUESTED PACKAGE FOR FY 1985 WHICH WE BELIEVE IS NECESSARY TO PROVIDE THE IMPETUS TO THE NAVAL RESERVE PROGRAM TO MOVE OUT SMARTLY TO REALIZE ITS TRUE POTENTIAL AS A NATIONAL ASSET.

MY TESTIMONY TODAY WILL FOCUS ON THE PRESENT, FUTURE AND POTENTIAL CONTRIBUTION OF THE NAVAL RESERVE TO THE TOTAL NAVY STRUCTURE WITH CONSIDERABLE EMPHASIS ON WHAT IS REQUIRED TO IMPROVE AND INCREASE THAT CONTRIBUTION.

THE NAVAL RESERVE ASSOCIATION LOOKS TO THE COMING YEAR WITH CONSIDERABLE OPTIMISM TEMPERED BY THE KNOWLEDGE THAT HISTORY OFTEN SHOWS THAT UNBRIDLED ENTHUSIASM AND EUPHORIA OF THE MOMENT CAN VANISH LIKE A PUFF OF SMOKE.

CONGRESSIONAL LEADERS HAVE DEMONSTRATED THEIR INTENTION TO HOLD THE SERVICES' FEET TO THE FIRE IN ADDRESSING THE ACTIVE/RESERVE MIX IN THE SO CALLED "TOTAL FORCE". SECRETARY LEHMAN AND ADMIRAL WATKINS HAVE GIVEN STRONG BACKING TO THE NAVAL RESERVE. HOWEVER, THE BUREAUCRACY HAS A LONG TAIL AND THE FULFILLMENT OF ANY IDEA IS SOMETIMES A LONG WHILE ARRIVING. AN EXAMPLE CAN BE FOUND IN LAST YEARS' BUDGET. OF THE APPROXIMATELY ONE BILLION DOLLARS ADDED TO THE PRESIDENT'S REQUEST FOR GUARD AND RESERVE EQUIPMENT, LESS THAN $30.0 MILLION WAS ADDED TO THE NAVAL RESERVE. IT IS QUITE OBVIOUS THEN THAT THE NAVAL RESERVE IS OVERDUE FOR SOME INFUSION OF FUNDS, PARTICULARLY FOR EQUIPMENT PROCUREMENT, FROM THE CONGRESS. ALTHOUGH THE NAVY CERTAINLY APPEARS TO BE AT WORK ON THE EFFORT TO MODERNIZE THE NAVAL RESERVE IN THE OUT YEARS, THE NAVAL RESERVE ASSOCIATION BELIEVES THE TIME FOR POSITIVE ACTION IS NOW.

Secretary John Lehman in his FY 1985 Posture Statement remarked that, "...The Reorganization of the Naval Reserve to a "horizontal integration" has had the effect of shifting a substantial portion of our force structure manning to the ready reserve..." The Secretary went on to cite in various portions of his statement what is being done now and what is planned in the future for the Naval Reserve: Thirty five ships of the 600 ship Navy; a Reserve Air Wing for the 15th Carrier and the other to the Carrier undergoing Service Life Extension; modern A-7E, E-2C, F-14A and SH-2F aircraft into reserve units this year; increase of two FF/FFGs to the Naval Reserve making a total of 26 of the two classes. He went on to state that, "...the Reserves must provide immediate augmentation to the active force in time of emergency across the entire spectrum of warfare...there should be a parallel spectrum of new and old equipment in the Reserves in the same proportion as in the active force..."

Both the SECNAV and the CNO praised the Naval Reservists who volunteered to relieve the sailors serving aboard USS NEW JERSEY off Lebanon so the active duty crew members could take Christmas leave. More than 650 Reservists volunteered, 135 of which were recalled. Admiral Watkins stated, "...The patriotism and dedication exhibited by the crew of New Jersey and those reservists who volunteered...is heartwarming. We should never forget that they are serving their country with the most precious assets they possess -- their time and their lives..."

Admiral Watkins made a point in his testimony that, "...reserve forces must be available at the proper time...(possibly) prior to mobilization during a period of prehostility..." He gave as an example, the Naval Reserve Cargo Handling and Construction Forces but he could have cited many other type units such as the VP squadrons, the Carrier Air Wings, the Mine Sweepers, Naval Intelligence, CINC and CNO Command Centers, etc. The CNO made a very important point when he wrote, "...If these or any similar forces assigned to the Naval Reserve were not available when required prior to hostilities, it could seriously impact our overall capability..."

NRA has recommended for years that the President's authority to recall 100,000 reservists for up to 90 days be changed to allow for a longer period of recall, preferably 270 days but at least for 180 days. If the Services cannot

COUNT ON USING THE GUARD AND RESERVE IN LESS THAN AN ALL OUT MOBILIZATION EFFORT, THEY OBVIOUSLY CANNOT CONSIDER USING THE RESERVE COMPONENT PERSONNEL IN MANY OF THE MISSION AREAS.

NRA CONTINUES TO BELIEVE THAT THE GUARD AND RESERVE, PROPERLY SUPPORTED, IS THE BEST BUY IN DEFENSE TODAY. ANY MISSION OR TASK THAT CANNOT BE ACCOMPLISHED BY THE GUARD AND RESERVE SHOULD THEN BE ASSIGNED TO THE ACTIVE FORCE. LIKE ZERO-BASED BUDGETING, MISSION PLANNING SHOULD START WITH THE BASICS WHEN CONSIDERING WHETHER RESERVES OR ACTIVE FORCES SHOULD BE ASSIGNED. SECRETARY LEHMAN MAKES A POINT THAT, "...THE HEAVY SCHEDULE OF PEACETIME FORWARD DEPLOYMENTS...MUST BE UNDERSTOOD WHEN CONSIDERING RESERVE/ACTIVE FORCE RATIOS..." NRA UNDERSTANDS AND APPRECIATES THIS VERY VITAL CONSIDERATION, BUT IT SHOULD ALSO BE UNDERSTOOD THAT THERE ARE MANY MISSIONS WHICH ARE NOT AFFECTED BY THIS PREMISE AND THAT OTHER DEPLOYMENT PRACTICES SHOULD BE CONSIDERED BOTH AT NAVY DEPARTMENT AND NATIONAL SECURITY COUNCIL LEVELS WHICH COULD ALLEVIATE SOME OF THE DEPLOYMENT PROBLEMS. SOME OF THESE CONSIDERATIONS ARE ADDRESSED IN THE NAVAL RESERVE MISSIONS PORTION OF THE STUDY.

THE ISSUES WHICH WILL BE ADDRESSED TODAY BEFORE THIS COMMITTEE INCLUDE THE FOLLOWING:

- RESERVE TACTICAL AIR WINGS
- HC/HAL MISSION CONSOLIDATION
- ANTI-SUBMARINE WARFARE:
    - TACTAS FOR THE NRF FRIGATES
    - LAMPS I TO SUPPORT NRF SHIPS, FLEET SHIPS AND COAST GUARD CUTTERS
    - P-3C PROCUREMENT FOR THE NAVAL RESERVE
    - P-3A/B SIGNAL PROCESSING DISPLAY

- Reserve Naval Construction Force (Seabees)

- Volunteer Training Units/Category "D" Personnel

- Legislation:
  - Special Pay for NRF
  - A Reservist as Chief of Naval Reserve

- Naval Reserve Missions

The Reserve Tactical Air Wings

The modernization of the Reserve Tactical Air Wings is now well underway. Secretary Lehman's posture statement for FY 1983 set the tone two years ago when he stated, "...We will begin a shift this year from a vertical integration of our aircraft - the practice of putting older aircraft models into the Reserves as we phase newer ones into the fleet-toward horizontal integration...We shall establish Reserve squadrons for virtually all of our front line fleet aircraft..." This year the Secretary announced that, "...Reserve units have been established and are flying P-3Cs, S-3s, SH-2s, A6Es, A-7Es and FA-18s. Some of these flying units are augmentation units to fill out fleet squadron strength upon mobilization, and others are commissioned squadrons..." In commenting on the Aircraft Programs he said, "...The 13th active Airwing is being commissioned this year and a 14th is planned for FY 87. The Airwing dedicated to our 15th deployable Carrier will be one of the two Reserve Airwings. The second Airwing will be dedicated to the Aircraft Carrier undergoing Service Life Extension..."

The Naval Reserve Association has recommended for several years that the Reserve Airwings be tied to Carrier decks. The original recommendation was for the two Reserve wings to be assigned to the 13th and 14th Carriers, the one in overhaul and the one in the Service Life Extension Program (SLEP). Last year NRA recommended that the 14th and 15th Air Wings be assigned to the Reserve Airwings. That recommendation is once again offered for consideration.

A review of the past history followed by a current status sitrep on the condition of the Reserve Airwings is presented to provide the reader with some background on the history of the Naval Air Reserve TACAIR Community.

Since the end of World War II the flow of aircraft has been almost exclusively from older USN assets which were of no further use to the active force. They consisted of aircraft in excess of the needs of active force requirements either for the present or future time frame. As the actives received new aircraft the older models migrated to the Naval Air Reserve, often as an afterthought, in lieu of putting the aircraft into mothballs or salvage.

As the Defense budget dropped off in priority, the aircraft inventory became critical for the active force with an even greater impact on the Reserve squadrons. Eventually the desired "Mirror Image" of the Reserve units changed to one of hardly any compatibility with the active squadrons. On several occasions, the situation became so critical in the active force that the old Reserve aircraft had to be transferred back into the actives to fill the voids caused by combat and other attrition losses well in excess of Naval Aircraft Procurement gains.

Back in the early 70's (1973-1974) the Total Force Study recommended, inter alia, that a Reserve Air Wing be maintained at a currency whereby it could be deployed expeditiously aboard a designated Carrier in the event of a national emergency. For some reason a few of the OSD officials could not believe that a Reserve Air Wing could be ready to go to sea aboard a Carrier without many months of workup. An Operational Readiness Exercise (ORE) of Air Wing Thirty was finally conducted aboard USS RANGER in November 1976 and resulted in a highly professional performance by the Reserve Air Wing. Not only could the Reserve unit meet the challenge, but it could do it faster and with a much higher professional capability than the active Air Wings which were not at sea or in a ready-for-deployment status. Air Wing Twenty followed in November 1978 aboard Independence with another outstanding performance. The two exercises prove that the concept of Reserve Air Wings assigned to active force Carriers for early deployment is a viable one. The experience level of the Reserve flight and maintenance crews is the key to a high combat readiness status.

The problem that has developed is the incompatibility of the Carrier with the Reserve Air Wing. The aircraft mix in the current Reserve TACAIR community cannot be supported by any Carrier in the present configuration. Although the Air Wing could be ready for Carrier based combat operations within a few weeks after receiving order to do so, (within hours for land-based operations) it could not be supported for sustained operations of more than a few weeks by the Carrier. Even for that short period of time the Air Wings portable or jury-rigged-equipment would have to be used. It is estimated that it would take up to six months to make necessary modifications to the ship in order to provide maintenance and supply support for the Reserve Air Wing. Pack-up or War-Risk Kits were included in the early budget iteration a few years ago, but fell out in the later going.

The NRA proposal to designate the Reserve Air Wings as the 14th and 15th Air Wings is based upon the following rationale:

o The Reserve TACAIR units have proved time and time again that they are capable of conducting cyclic operations off a Carrier at sea within a very reasonable time frame. This period of workup varies somewhat with the length of time since the last refresher quals were conducted aboard ships.

o The pilots and maintenance personnel are highly professional, seasoned veterans and second or third tour pilots. They can equal or outperform any active unit and they should with their bag of seasoned aviators.

o The main drawback, the incompatibility of the aircraft with the support aboard the Carriers, is diminished significantly with the input of new aircraft into the Reserve units.

o The only modern aircraft not expected to be in the Reserve Airwings within the next two years are the E-2C Hawkeye (one Air Wing is equipped with the E-2C the other with the E-2B), the A-6E, the EA6B (they currently fly the EA6A) and the S-3. If NRA's recommendation is implemented, the assets not now available in the Reserve Air Wings can be moved into the Reserve squadrons rather than assigning the assets to a yet to be established Active Airwing.

- o Since many of the current aircraft models will already be in place, there is a considerable cost avoidance realized by the NRA plan.

- o The safety record of the Naval Air Reserve also has the potential for cost savings. For years, the Naval Air Reserve safety record has been number 1 or 2 among the major Aviation Commands. In 1982 for example the Naval Air Reserve accident rate was .62/100,000 flight hours compared to the all USN rate of 4.46. Last year, 1983, the Reserve rate was 1.15 compared to the all-Navy figure of 4.36. In both years the Naval Reserve record was the best in the Navy.

- o When it is decided that the sixteenth (16th) Air Wing is required, the decision can be made as to whether to form an active or reserve Airwing.

NRA sees no reason to form the 14th Active Airwing as planned. There will always be one Carrier in Overhaul (considered deployable) and one in SLEP (non-deployable). The Reserve Air Wings can be ready to man both Carriers by the time they can be put on the line. The fact is, that the Reserve Airwings could easily be ready before an active unit which has "stood down" after a deployment cycle.

Assuming that all Carriers are deployed with assigned Airwings in an emergency and the Reserve Airwings have to wait until the Carriers in overhaul and SLEP complete the yard work, the Airwings with their modern aircraft would be available for other missions as needed. The F-14s, for instance, could be used in an Air Defense role for which they are well suited, as could the F/A-18s.

The increase in the number of deployable Carriers and the resultant requirement for assigned Airwings will require the reopening of the S-3, Viking line to equip the two VS squadrons necessary to roundout the Airwings. The Reserve Airwings do not have VS units attached so they would have to be formed whether it is an active or reserve Airwing selected.

Recommendation:

The Naval Reserve Association strongly recommends that the two Reserve

Airwings be designated as the Airwings dedicated to the 14th and 15th Carriers and that they be completely outfitted with current, combat capable aircraft compatible with their assigned Carriers.

Further, that when the 16th Air Wing is planned, consideration be given to making that a Reserve Airwing also.

HAL/HC Mission Consolidation

Two unique Naval Reserve roles include the Navy Combat Search and Rescue (CSAR) and the Helicopter Light Attack (HAL) missions. These Reserve-only roles are equipped with hardware which is adequate for a peacetime training platform but it would be suicidal to attempt a wartime mission with these aircraft in a hostile environment situation.

The Naval Reserve Association therefore proposes that the two missions be consolidated into one type squadron consisting of three units with off the shelf aircraft. The two separate missions will be discussed at some length together with a Procurement plan to equip the new units over a three year period.

Combat Search and Rescue (CSAR)

Reserve Helicopter Squadron HC-9 is the only Navy unit, active or reserve, with the specific task of Combat Search and Rescue. The last active force CSAR unit was disestablished in 1978. HC-9 has an allowance of nine (9) HH-3A helicopters which were converted from SH-3A ASW helos during Vietnam. The aircraft, now over twenty years old, have been equipped with light armor and weapons and a high speed rescue hoist. Limitations of the aircraft will be covered later.

Naval Institute Proceedings of February 1983 carried a well researched and ably written article by CDR Daniel G. Hartley, USNR, on the history, intricacies and fallacies of Combat Search and Rescue. CDR Hartley introduces his subject with the statement that, "...Every "downed" pilot hopes heaven and earth will be moved in order to effect his rescue...Rescue concepts used by the Navy in Vietnam were woefully inadequate - not as a result of inability but because of a studied

RESULT BY THE NAVY. THIS IS A HISTORICAL REALITY, AND IT IS INEXUSABLE..." HE GIVES THREE FUNDAMENTAL REASONS FOR A RELIABLE COMBAT RESCUE; (1) AN AIRMAN WILL EXTEND HIMSELF AND HIS MACHINE TO THE UTMOST IF HE STANDS A GOOD CHANCE OF BEING RESCUED (2) AN IMPORTANT INTELLIGENCE SOURCE IS DENIED THE ENEMY, AND (3) IT GIVES THE WELL QUALIFIED INDIVIDUAL A CHANCE TO RETURN TO COMBAT.

TWO VERY IMPORTANT ASPECTS MAKE UP A COMPETENT PROFESSIONAL CSAR EFFORT ONCE THERE IS A DECISION TO GO. THE FIRST IS THE TRAINING OF THE CREW AND SECOND IS THE CAPABILITY OF THE HELICOPTER PLATFORM. ALTHOUGH THE CREWS ARE ALL RESERVISTS, THEY ARE EXTREMELY WELL QUALIFIED IN THE TACTICS NECESSARY TO COMPLETE THE MISSION SUCCESSFULLY, IF HUMANLY POSSIBLE. THE CAPABILITY OF THE AIRFRAME ASSIGNED IS YET ANOTHER STORY.

SEVEN OF THE HC-9 PILOTS HAVE COMPLETED THE MARINE CORPS AIR WEAPONS AND TACTICS SCHOOL (MAWTS) WHICH INCLUDED FOUR WEEKS OF ACADEMIC STUDY FOLLOWED BY THREE WEEKS OF INTENSIVE PRACTICAL APPLICATION ON MAP INTERPRETATION AND TERRAIN ANALYSIS, TERRAIN FLIGHT TECHNIQUES, THREAT ANALYSIS, THREAT COUNTERMEASURES, NIGHT TACTICS AND MISSION PLANNING. THIS ENABLES HC-9 TO ACCOMPLISH THE MOST DIFFICULT OF ALL RESCUE SCENARIOS, THE NIGHT COVERT OPERATION. THE IMPORTANCE OF HAVING A FULLY QUALIFIED CREW FOR THE CSAR MISSION WAS STATED BY THE HOLLOWAY REPORT ON THE RAID IN IRAN. THE COMMITTEE STATED THAT, "...IT WAS EASIER TO TRAIN A PILOT TO FLY A DIFFERENT AIRCRAFT THAN TO FLY A NEW MISSION..."

THE DEFICIENCIES OF THE HH-3A ARE MANY AND SERIOUS. THEY INCLUDE: HIGH GROUND FIRE VULNERABILITY; INADEQUATE SPEED, MANEUVERABILITY, RANGE AND SELF PROTECTIVE FIREPOWER; LARGE TARGET/RADAR/INFRARED SIGNATURE PROFILES; NO SURVIVOR DETECTION CAPABILITY; LIMITED PASSIVE LOW ALTITUDE NAVIGATION CAPABILITY; LIMITED NIGHT CLOSE-TO-EARTH CAPABILITY; AND, OVER MAX GROSS WEIGHT WITH A COMBAT LOAD AND FULL INTERNAL FUEL.

THE OBVIOUS CONCLUSION BY THE NAVAL RESERVE ASSOCIATION IS THAT WHILE THE MISSION IS AN EXTREMELY IMPORTANT ONE, PARTICULARLY TO THE AIRCREW WHO ARE PLACED IN A LIVE COMBAT ROLE, THE NAVY HAS PROCRASTINATED IN PROVIDING AN ANGEL FOR CREWMEN WHO ARE SHOT DOWN OVER ENEMY TERRITORY. THE CSAR IS A VITAL PART OF THE NAVY TACAIR TEAM AND IT IS OBVIOUS FROM THE LAST TWO HAPPENINGS IN GRENADA AND

Lebanon that Naval Aviation can be called upon in a moments notice to engage in a hostile action. NRA believes that the Navy and Congress should make every effort to support the aviators who enter a hostile environment with a first rate CSAR. The House Armed Services Committee was very critical, not only of the Navy's but of the Services' efforts in the CSAR effort. The Committee pointed out that in Vietnam one Navy CSAR crewman was killed for every 1.8 rescues and a Navy CSAR helicopter was lost for every 1.4 rescues. Consideration of obtaining a CSAR helicopter is anticipated in this year's Program Objective Memorandum (POM) process. However, the fix could be years off, particularly if Navy decides to wait for the JVX. NRA believes a quick solution to the problem is available.

NRA therefore proposes an off-the-shelf procurement of helicopters to accomplish this and the following mission.

Light Attack Helicopter (HAL) Squadron

The mission of the HAL squadrons is to provide, in night and all-weather situations, close air support for Special Warfare groups; conventional air strikes; defensive suppression; demolition attacks; clandestine insertions/extractors of personnel behind enemny lines; overland combat rescue, countersurgency operations, intelligence operations or the normal helicopter tasks. Squadrons, HAL-4 and HAL-5, are Naval Reserve units and are the only assets in the Navy trained and designated to support the Special Warfare forces, particularly the SEAL units.

The crews require intensive training not only to obtain their total qualifications but to maintain their skills.

This training includes the use of night vision goggles, evasive maneuvering, nap of the earth navigation, terrain analysis and air to ground weapons delivery tactics.

As with the HC squadrons, attendance at the Marine Corps Air Weapons and Tactics School (MAWTS) provides the background for qaulifying the crews. Presently there are three qualified Instructor graduates of the MAWTS in HAL-4 and three in HAL-5. Each squadron utilizes at least one quota per year at the

SCHOOL. REGULAR EXERCISES ARE CONDUCTED WITH THE SEAL UNITS AS WELL AS WITH CERTAIN ARMY GROUPS. THE KEY FACT IS THAT THE NAVY SPECIAL WARFARE FORCES EXPECT THE HAL UNITS TO PROVIDE SUPPORT FOR THEM WHEN CALLED UPON TO DO SO. THE HAL UNITS ARE UNIQUELY QUALIFIED FOR THEIR MISSION WITH ONE EXCEPTION - THEIR HARDWARE.

THE GENESIS OF THE HAL SQUADRONS WAS HELICOPTER COMBAT SUPPORT SQUADRON ONE IN THE EARLY STAGES OF VIETNAM WHICH PROVIDED HELICOPTER GUNSHIPS TO SUPPORT THE "BROWN WATER NAVY". THE EFFECTIVENESS OF THE HELO GUNSHIPS CAUSED HELICOPTER LIGHT ATTACK SQUADRON, THREE TO BE ESTABLISHED. THIS SQUADRON SUPPLIED DETACHMENTS TO SPECIAL WARFARE UNITS IN THE MEKONG DELTA REGION FOR FIVE YEARS BEFORE BEING DISESTABLISHED IN 1972.

THE RAPID ADVANCEMENT AND WORLDWIDE DISTRIBUTION OF WEAPONS TECHNOLOGY SINCE THE VIETNAM CONFLICT HAS NECESSITATED CONSIDERABLE CHANGES IN TRAINING TO MEET THE CHALLENGES OF NEW HIGH-THREAT COMBAT ENVIRONMENTS. THE POTENTIAL PRESENCE OF HAND-HELD OR HIGHLY MOBILE WEAPONS DICTATES THAT AIRCRAFT FLIGHT IN A TACTICAL ENVIRONMENT BE CONDUCTED UTILIZING TERRAIN-MASKING TECHNIQUES TO AVOID DETECTION. THE HAC UNITS CONDUCT CONSIDERABLE TIME TRAINING IN THE TECHNIQUES REQUIRED TO OPERATE IN THE EXPECTED THREAT ENVIRONMENT BUT, ONCE AGAIN, THE GOVERNING FACTOR IS THE LACK OF CAPABILITY OF THE HH-1K AIRCRAFT IN THE EXPECTED OPERATIONAL ENVIRONMENT.

THE AIRCRAFT USED BY HAL-4 AND HAL-5 ARE HH-1K GUNSHIPS ARMED WITH THE M-21 WEAPONS SUBSYSTEM CONSISTING OF TWO GATLING-TYPE MINE-GUNS AND TWO ROCKET LAUNCHERS PLUS TWO DOOR-MOUNTED M-60 MACHINE GUNS. OBVIOUSLY THE AIRCRAFT IS WELL ARMED HOWEVER WITH THE PRESENT THREAT ENVIRONMENT THE AIRCRAFT ITSELF IS INADEQUATE FOR THE TASK ASSIGNED. THE AIRCRAFT ARE CIRCA EARLY 1960S AND DO NOT HAVE THE SPEED OR POWER AVAILABLE TO OPERATE IN THE THREAT ENVIRONMENT IN WHICH THEY CAN BE EXPECTED TO HAVE TO PERFORM. THE WEAPONS SUITE CAN, FOR THE MOST PART, BE SWITCHED TO A SUITABLE AIRCRAFT REPLACEMENT.

NRA PROPOSES TO COMBINE THE HAL SQUADRONS WITH HC-9, THE COMBAT SEARCH AND RESCUE UNIT, THE SQUADRON DISCUSSED EARLIER. THE MISSIONS CAN BE CONSOLIDATED IF A SUITABLE AIRFRAME CAN BE FOUND FOR A REASONABLE PRICE.

Summary

The two Naval Reserve only missions of Navy Combat Search & Rescue (CSAR) and Helicopter Light Attack (HAL) are equipped with obsolete and inadequate aircraft with which to conduct their assigned tasks. It would in fact be suicidal to attempt either mission in the anticipated threat environment which they could expect to encounter.

Both missions are critical to the Navy in the event of hostilities or covert operations. Combat pilots need the assurance that all possible actions will be exploited to try to rescue them should they be shot down over enemy controlled territory. The Special Force units, particularly the SEALS are depending on the HAL units for support.

The Naval Reserve Association has accomplished considerable research as to the best means to solve the dilemma of the inadequate hardware on a short term and effective basis. NRA believes that by consolidating the three squadrons (2 HAL, 1 HC) into one type unit of three eight (8) plane squadrons with off-the-shelf helicopters, over a three year period, the solution is immediately available to Congress and the Navy.

This proposal, if activated, should improve to a quantum degree the morale of the Carrier Based Naval Aviators, the Special Force Units being supported and the Reservists charged with the HAL and CSAR missions.

The Plan

NRA recommends that the Congress authorize and fund the procurement of eight off-the-shelf UH-60 Blackhawk helicopters each year for three consecutive years - Fiscal Years 1985, 1986 and 1987. NRA further recommends the inclusion of the External Stores Support System (ESSS) kits, the Infra-Red Suppressor and the Rescue Hoist for each aircraft.

Implementation of this NRA proposal would accomplish the following objectives: Provide immediate solution to the critical need for replacement aircraft for the HAL and HC units at the lowest possible cost; Support the critical

MISSIONS OF THE NAVY'S SPECIAL WARFARE FORCES; PROVIDE A BIG MORALE BOOST TO CARRIER NAVAL AVIATORS CALLED UPON TO FLY COMBAT MISSIONS OVER ENEMY CONTROLLED TERRITORY; DEMONSTRATE CONGRESSIONAL RESOLVE TO SUPPORT A RESERVE COMPONENT WHEN IT ASSUMES MISSION RESPONSIBILITY; AND, TAKE ADVANTAGE OF THE STATE OF THE ART, OFF-THE-SHELF, COST EFFECTIVE SOLUTION TO A CRITICAL MISSION SHORTFALL.

THE AIR FORCE AND ARMY UNITS WHICH HAVE OPERATED THE UH-60 HAVE BEEN VERY HIGH IN THEIR PRAISE OF THE AIRCRAFT AND BELIEVE IT TO BE THE IMMEDIATE ANSWER FOR THE MISSION PROPOSED HEREIN. THE PROPOSAL AS PRESENTED INCLUDES NO "EXTRA GOLD PLATED ITEMS" NOT ESSENTIAL TO THE SUCCESSFUL MISSION COMPLETION. CHART (1) ILLUSTRATES VIVIDLY THE COMPARISON BETWEEN THE HH-3A, HH-1K AND UH-60 IN MISSION PERFORMANCE CHARACTERISTICS.

THE FOLLOWING TABLE GIVES THE COST BREAKDOWN OF THE RECOMMENDED PROCUREMENT. THIS SHOWS THE MAXIMUM AMOUNTS CONTEMPLATED FOR A COMPLETE MISSION EQUIPPED PACKAGE SUBJECT, OF CAUSE, TO NAVY MODIFICATION.

PROCUREMENT (8) UH-60 BLACKHAWK

(FY 1985 DOLLARS IN MILLIONS)

	UNIT COST	TOTAL	NOTES
FLYAWAY COST	$5.3	$42.4	INCL. IRS, ESSS, HOIST
SPARE PARTS	6%	$ 2.5	
PRODUCT SUPPORT		$ 2.1	
MULTI-MISSION KITS		$ 3.0	
TOTAL		$50.0	8 A/C SQUADRON

HELICOPTER COMPARISON CHART

		HH-3A	HH-1K	UH-60A*
1.	SPEED (SEA LEVEL)	120 KTS	100 KTS	167 KTS
2.	MANEUVERABILITY (G'S)	+1.5/-.5	+2.0/+.5	+3.5/-1
3.	RANGE (NO WIND)	450 NM	200 NM	1,300 NM
4.	DEPLOYABILITY	NO SELF DEPLOYMENT CAPABILITY	NO SELF DEPLOYMENT CAPABILITY	SELF DEPLOYABLE TO EUROPEAN OR ASIAN THEATERS
5.	AIR TRANSPORTABILITY (TRANSPORT TYPE/NUMBER TRANSPORTABLE)	C5/3	C5/6 C141/2 C130/1	C/5/6 C141/2 C130/1
6.	MAINTAINABILITY (MAINTENANCE MAN HOURS PER FLIGHT HOUR)	23	6.5	4
7.	COMBAT SURVIVABILITY	ARMOR PLATE RETROFIT PROVIDES MARGINAL DETERRENCE AGAINST SMALL ARMS (7.62MM)	NO ARMOR PLATE FLAK SEAT AVAIL.	INTEGRATED DESIGN CONCEPT WITH SIGNIFICANT SURVIVABILITY UP TO 23MM HEI
8.	CRASHWORTHINESS	NO DESIGN SPECS.	NO DESIGN SPECS.	IMPACTS UP TO 35 FPS (2100 FPM)
9.	WEAPONS CAPABILITY	M60 GAU 2A/B MINI GUN	7.62MM/2.75 ROCKETS	IN ADDITION TO POINT DEFENSE AS INDICATED FOR HH-3A A FULL COMPLEMENT OF AIR TO AIR AND AIR TO SURFACE WEAPONS ARE COMPATIBLE WITH THE ESSS
10.	IR SUPPRESSION	NONE	PARTIAL REDUCTION (PAINT)	FULL IR SIGNATURE REDUCTION

* UH-60A WITH EXTERNAL STORES SUPPORT SYSTEM (ESSS)

CHART (1)

ANTI-SUBMARINE WARFARE

SECRETARY WEINBERGER IN HIS FY 1985 ANNUAL REPORT TO CONGRESS STATED, "...EFFECTIVE DEFENSE AGAINST THE SOVIET SUBMARINE THREAT REQUIRES A DEFENSE-IN-DEPTH STRATEGY THAT BOTH MAXIMIZES ENEMY ATTRITION AND AFFORDS A HIGH LEVEL OF PROTECTION FOR OUR NAVAL FORCES..." MR. WEINBERGER WENT ON TO TALK ABOUT THE LONG RANGE P-3 AIRCRAFT, CAPTOR MINES AND ATTACK SUBMARINES SUPPORTED BY UNDERSEAS SURVEILLANCE SYSTEMS. SUBMARINES THAT PENETRATE THESE BARRIERS THEN ENCOUNTER A LAYERED DEFENSE SCREEN SURROUNDING OUR NAVAL TASK FORCES AND CONVOYS.

THE CHIEF OF NAVAL OPERATIONS, ADMIRAL WATKINS, IN HIS APPEARANCE ON THE FY 1985 BUDGET TESTIFIED THAT, "...THE NAVY'S SEALIFT CAPABILITY, INCLUDING THE CRUCIAL MOBILIZATION CAPACITY OF THE MERCHANT MARINE, IS CENTRAL TO OUR STAYING POWER. WHILE PROLONGED CONFLICT IS NOT AN OBJECTIVE, WE MUST NEVERTHELESS PREPARE FOR SUCH A POSSIBILITY. HISTORY REMINDS US THAT WARS TEND TO LAST LONGER THAN ANTICIPATED...IF OUR MILITARY POWER IS ISOLATED FROM REACHING AND SUPPORTING OUR ALLIES, WE CAN HAVE LITTLE HOPE OF PREVAILING IN A MILITARY CONFLICT OR TERMINATING SUCH A CONFLICT ON TERMS FAVORABLE TO THE UNITED STATES OR ITS ALLIES...IF WE CANNOT PROJECT AND SUSTAIN OUR MILITARY FORCE IN THE FORWARD DEFENSE OF OUR ALLIES...WE COULD BE ISOLATED AND REDUCED TO DEFENDING OUR OWN SHORES...THE ADDITION OF MODERN FRIGATES TO OUR FORCE BRINGS THE NAVY ONE STEP CLOSER TO...HAVING THE MINIMUM PRUDENT LEVEL OF ESCORTS FOR THE WARTIME MISSION OF PROTECTING VITAL SHIPPING, UNDERWAY REPLENISHMENT GROUPS AND AMPHIBIOUS FORCES..."

THE NAVAL RESERVE HAS BEEN GIVEN THE MISSION OF ASW MARITIME CONVOY ESCORT BY THE CONGRESS. IT IS THEREFORE OF CONSIDERABLE CONCERN TO NRA WHEN THE TOOLS ASSIGNED AND PROJECTED TO CARRY OUT THE ASSIGNED MISSION ARE REVIEWED AND EVALUATED. WHEN SECRETARY WEINBERGER TALKS ABOUT DEPLOYING THE SQR TOWED ARRAY SONAR ABOARD ALL OF THE FF-1052 CLASS FRIGATES, "...INCLUDING THOSE IN THE NAVAL RESERVE...", HE LEAVES OUT THE "WHEN". THE TOWED ARRAY SONAR IS NOT SCHEDULED TO BE INCORPORATED INTO ANY NAVAL RESERVE SHIPS UNTIL SOMETIME AFTER THE FYDP YEARS WHICH COULD MEAN THAT THEY WILL NEVER BE INCORPORATED INTO THE RESERVE FRIGATES SINCE THEY WILL BE CONSIDERED TOO OLD BY THEN TO BACKFIT OR UPGRADE TO A CAPABLE ASW PLATFORM.

Anti-Submarine Warfare has suffered considerably over the years in the Navy. Even in the Golden Age of ASW, in the middle 60s, funds for the advertised "number one" priority were milked off for the more glamorous programs. In those days we had over two hundred Destroyers which helped considerably to fill the need for ASW Maritime Convoy Escort. The protection of the Sea Lines of Communication (SLOC) against enemy submarines becomes more complicated all the time due to the ever improving Soviet technology and tactics. Yet, the United States appears to put Anti-submarine warfare on the back burner, apparently believing that it can be addressed sometime in the future. When budgets are cut, the ASW systems take the brunt of the slashes. If we listen to Admiral Rickover, the Soviet submarine effect on the SLOC could be catastrophic.

The Naval Reserve Association believes that large segments of the ASW Forces belong in the Naval Reserve. Anti-submarine warfare is basically a wartime mission so theoretically that is when its needed. Since ASW is a complicated profession it needs highly experienced and competent personnel to operate the weapon systems and a significant Research and Development Program to continue improving the capabilities of the Weapons Systems. Once the expert is trained during his active duty stint he can very effectively perform in the Reserve for years.

The situation as it now exists in the Naval Reserve is that the Surface Reserve is receiving modern frigates which will eventually number 26 ships. To be effective, however, the ships must have complete weapons systems capabilities and that means Towed Arrays to find the targets and helicopters to prosecute them. In the budget crunch the planners have cut the helicopters, not only on the Reserve ships but also in the active force and have pushed the Towed Array procurement for Reserve frigates out of sight. NRA hopes to convince the Congress to modify that plan.

In the VP community the Reserve P-3s mostly fall out of the force in the mid-1990s without replacements unless remedial action is started now. NRA proposes a plan to upgrade the P-3A/Bs and begin procurement of P-3Cs for the Naval Reserve.

NAVAL RESERVE FRIGATES

RECENT EVENTS HAVE ONCE AGAIN REMINDED US, ALL TOO CLEARLY, THAT THE UNITED STATES IS AN ISLAND NATION, A TRADING NATION, WHOSE ECONOMIC SURVIVAL REQUIRES IT TO HAVE GLOBAL INTERESTS AND GLOBAL COMMITMENTS. MEETING THESE COMMITMENTS REQUIRES SEAPOWER, IN ALL ITS FORMS, AND OFTEN, ON SHORT NOTICE. WHILE OUR OTHER ARMED FORCES ARE INVOLVED IN MILITARY OPERATIONS IN SUPPORT OF FOREIGN POLICY ON A CASE BY CASE BASIS, THE U.S. NAVY AND THE MARINE CORPS ARE, ALMOST WITHOUT EXCEPTION, THE FIRST CALLED AND THE LAST RELEASED FROM SERVICE. WE MUST NEVER FORGET THAT A SUPERIOR NAVY IS ABSOLUTELY VITAL TO THE SURVIVAL OF OUR ISLAND NATION.

IN HIS REPORT TO THE CONGRESS ON THE FY 85 BUDGET, DEFENSE SECRETARY WEINBERGER SAID, WITHOUT UNDERSTATEMENT, "...SEALIFT IS VITAL FOR PROJECTING AND SUSTAINING THE FULL RANGE OF COMBAT AND SUPPORT FORCES. IN A LARGE DEPLOYMENT, IT WOULD DELIVER A MAJORITY OF THE CARGO (INCLUDING MUCH OF THE NON-PREPOSITIONED EQUIPMENT FOR HEAVY DIVISIONS AND SUPPORT UNITS) AS WELL AS MOST OF OUR AMMUNITION AND SUPPLIES..." ADEQUATE SEALIFT THEN, CANNOT BE OVER EMPHASIZED IN TERMS OF ITS BEING CRITICAL TO OUR NEED TO PROJECT AND SUSTAIN OUR FORCES OVERSEAS.

JUST HOW CRITICAL CAN BE SEEN BY REMEMBERING THAT IN OUR PRESENT CONTINGENCY PLANS CALLING FOR MOVING OUR COMBAT FORCES TO EUROPE, OR KOREA, OR TO SOUTHWEST ASIA, 95% OF THE DRY CARGO MUST GO BY SEA. FOR FUEL DELIVERIES, THAT PERCENTAGE BECOMES 99%. IN TERMS OF TONNAGE, MORE FUEL MUST BE MOVED THAN ALL DRY CARGO MOVED BY AIR AND SEA COMBINED.

KNOWING HOW CRITICAL THE ARRIVAL OF THIS VITAL CARGO AND FUEL IS TO OUR FORCES, CAN WE BE SURE THAT IT WILL IN FACT ARRIVE? MANY AUTHORITIES SAY WE SHOULD BE VERY CONCERNED. THEY POINT OUT THAT AT THE START OF WORLD WAR II, GERMANY HAD FEWER THAN 50 ATTACK SUBMARINES READY FOR ACTION. HOWEVER, DURING 1942 ALONE, 1,664 ALLIED SHIPS WERE SUNK, A LOSS OF A STAGGERING 7.8 MILLION TONS OF CARGO. IN MARCH OF 1942, IN JUST ONE MONTH, 273 MERCHANT SHIPS WERE SUNK, MORE THAN PRESENTLY MAKE UP THE ENTIRE NATIONAL DEFENSE RESERVE FLEET. IT WOULD BE A GRAVE MISTAKE, RECOGNIZING THE GREAT NEED FOR RESUPPLY OF THE DEPLOYED

FORCES AND THE ATTRITION POSSIBILITIES OF THE SUPPLYING FORCES, TO IGNORE THE HISTORY OF SUBMARINE WARFARE AND ITS EFFECT ON SEALIFT AND SEAPOWER. EVEN THOUGH TODAY WE HAVE BETTER ASW WEAPONS AND SENSOR TECHNOLOGY, SO DOES OUR LIKELY OPPONENT. AND, THEY DON'T JUST HAVE 50 ATTACK SUBMARINES, BUT 300, A RATIO OF 3-TO-1 OVER OUR ATTACK SUBMARINES. THE CAPABILITIES OF THE SOVIET UNDERSEAS FLEET IS IMPROVING SUBSTANTIALLY AND CONSEQUENTLY THE U.S. CAPABILITY TO DETECT, TRACK AND DESTROY MUST ALSO BE UPGRADED. THIS INCLUDES THE NRF WITH ITS MISSION OF ASW MARITIME CONVOY ESCORT.

IN ADDITION, IN WORLD WAR II WE WERE CONCERNED PRIMARILY WITH TRANSPORTING FINISHED GOODS AND SUPPLIES OVERSEAS. TODAY, WE MUST RECOGNIZE THE NEED TO IMPORT LARGE QUANTITIES OF STRATEGIC AND CRITICAL MATERIALS NEEDED FOR A WARTIME SURGE OF PRODUCTION. SO, PROTECTION OF OUR MERCHANT MARINE IS VITAL BOTH GOING TO A CONFLICT AREA WITH SUPPLIES AND PERSONNEL, AND RETURNING WITH CRITICAL MATERIALS.

SEAPOWER CAN BE SUSTAINED ONLY THROUGH SEALIFT. IN TURN, SEALIFT NEEDS TWO MAJOR COMPONENTS:

FIRST, IT REQUIRES AN ADEQUATE NUMBER OF THE REQUIRED MIX OF MERCHANT MARINE SHIPS TO CARRY THE TONNAGE OF MEN AND SUPPLIES NEEDED. WE SHOULD BE CONCERNED TO THE POINT OF ACTION ABOUT THE QUANTITY AND SUITABILITY OF TODAY'S MERCHANT FLEET TO PERFORM THIS MISSION. THE TOTAL PRIVATELY OWNED U.S. FLAG MERCHANT FLEET HAS DEGENERATED TO ABOUT 580 SHIPS. THESE WOULD BE AUGMENTED IN THE EVENT OF AN EMERGENCY BY THE NATIONAL DEFENSE RESERVE FLEET (NDRF) OF ABOUT 272 SHIPS IN VARIOUS STATES OF PRESERVATION. HOWEVER, OF THESE, ONLY 170 ARE DRY CARGO VESSELS. THE NAVAL RESERVE ASSOCIATION SUPPORTS CURRENT EFFORTS IN CONGRESS AND ELSEWHERE, TO REJUVENATE OUR COUNTRY'S MERCHANT MARINE.

SENATOR TOWER, IN HIS CHARGE TO ADMIRAL WATKINS ON JUNE 30, 1982 WHEN THE CNO ASSUMED HIS PRESENT POSITION, STATED, "...THERE IS A SERIOUS CHALLENGE THAT I WOULD OFFER HIM (ADMIRAL WATKINS)...THE U.S. MERCHANT MARINE AND THE CIVILIAN SHIPBUILDING INDUSTRIAL BASE. I FEEL IT IS AN INTEGRAL PART OF OUR NATIONAL NEED FOR MARITIME SUPERIORITY...WE ARE INEXTRICABLY TIED TO OVERSEAS SOURCES OF PETROLEUM AND MINERALS...ARE WE READY TO FACE A MILITARY CRISIS WITHOUT A VIABLE MERCHANT SERVICE...? WHAT IS THE DETERRENT VALUE OF A POWERFUL FLEET IF THE WORLD KNOWS WE CANNOT KEEP IT ARMED, FUELED, FED AND REPAIRED?..."

Second, Sealift needs to ensure that these critically needed merchant ships actually arrive with the precious men and cargo they will be carrying -- men and cargo which will be not only needed, but irreplaceable. Even the loss of a few such ships filled with highly skilled technicians, sophisticated weapons systems, Abrams tanks, and the like, would be devastating. Yet, protecting these vital ships, each running a gauntlet of highly capable Soviet attack submarines, is a major responsibility of the Naval Reserve and the 26 escort ships which are in or scheduled to join the Naval Reserve Force.

The Chief of Naval Operations approved a plan to transfer eight FF-1052 Knox Class and eighteen FFG-7 Perry class frigates to the NRF by 1990. We have strongly advocated this Navy plan for transferring relatively new, mission capable ships into the NRF. Such action apparently provides escort ships with the necessary anti-submarine warfare capabilities needed to help ensure the safe arrival of these critically needed merchant marine ships.

NRA has several concerns, however, in the equipping of these ships which have such a key role in the Naval Reserve.

1) We are concerned about the numbers of escort ships needed. It is our understanding that these twenty six NRF frigates, plus any escort ships provided by NATO nations, will comprise the total Maritime Convoy Escort capability available in the Atlantic--approximately 60-65 escorts--and that is if the conflict situation is one in which we are joined by our NATO allies. There are conflict scenarios in which our NATO allies would not be involved or could not be supportive. This total is far short of any estimates of required numbers. In fact, the Congressional Budget Office estimated that the United States Navy is short as many as 100 ASW capable escorts in the Atlantic alone. And, we are not building any new ones. The FY 1985-89 Shipbuilding Program calls for 13 Aegis cruisers, 14 DDG-51 destroyers. No funds are allocated for Frigates. The Naval Reserve Association recommends that Congress consider increasing the construction of the Frigates for assignment to the NRF as a means of reducing, somewhat, the overwhelming shortfall in escort ships.

2) Our second concern is that of capability. With that few escorts, we must be certain that each and every one of them can perform its assigned tasks,

PARTICULARLY IN ASW, TO THE FULLEST. AND, THEY WILL BE NEEDED ON SHORT NOTICE, WITH LITTLE TIME FOR YARD PERIODS TO RETROFIT GEAR NOT ALREADY INSTALLED TO SAY NOTHING OF THE MAINTENANCE AND OPERATING TRAINING REQUIRED FOR NEW GEAR. THE PERRY CLASS GUIDED MISSILE FRIGATE WAS DESIGNED TO HAVE A SUBSTANTIAL ASW CAPABILITY--THAT IS WHEN IT WAS EQUIPPED WITH THE PASSIVE TOWED ARRAY SONAR AND ASW HELICOPERS IT WAS DESIGNED TO HAVE. CURRENTLY, THE NAVY IS PLANNING TO INSTALL THIS EQUIPMENT--THE AN/SQR-19 TACTICAL TOWED ARRAY SONAR SYSTEMS (TACTAS), AND ONE LAMPS I OR III HELICOPTERS--ON THE FRIGATES IT IS RETAINING IN THE ACTIVE FORCE. IT IS OUR UNDERSTANDING HOWEVER, THAT THE NAVY WILL NOT INSTALL THIS VITAL EQUIPMENT (TACTAS) ON NAVAL RESERVE FRIGATES FOR AT LEAST FIVE YEARS.

WHAT THIS MEANS IS THAT INSTEAD OF A FORCE OF 18 NAVAL RESERVE FFG-7S EQUIPPED WITH THE LONG RANGE SENSORS AND WEAPONS THEY NEED TO PROTECT IRREPLACEABLE MERCHANT MARINE SHIPS FROM EVERMORE NUMEROUS AND CAPABLE SOVIET SUBMARINES, WE WILL HAVE NAVAL RESERVE FRIGATES THAT WILL BE SERIOUSLY HAMPERED, IF NOT PREVENTED, FROM CARRYING OUT THEIR PRIMARY CONVOY ESCORT MISSION, ANTI-SUBMARINE WARFARE.

WITH THE AN/SQR-19 TACTICAL TOWED ARRAY SONAR SYSTEM, A PASSIVE ACOUSTIC SENSOR TOWED ASTERN OF A NAVY COMBATANT SHIP, ACCORDING TO PREVIOUSLY PUBLISHED REPORTS, THE SHIP CAN DETECT SUBMARINES AT RANGES EXTENDING OUT TO THE SECOND CONVERGENCE ZONE, IN OTHER WORDS, UPWARDS OF 60 MILES. WITHOUT TACTAS, THE NAVAL RESERVE FRIGATES WILL BE LIMITED TO THE RANGE OF THEIR HULL MOUNTED SONAR, ABOUT FIVE MILES. HOWEVER, THE SOVIET SUBMARINE WILL NOT BE SO LIMITED AND CAN BE EXPECTED TO TAKE A HEAVY TOLL OF SUCH SHIPS SO INADEQUATELY EQUIPPED, NOT TO MENTION THE MERCHANT SHIPS THEY ARE SUPPOSED TO BE PROTECTING. WITH TACTAS AND A FULL COMPLEMENT OF ASW HELICOPTERS, OUR NAVAL RESERVE FRIGATES AND THEIR DEDICATED CREWS CAN BE EXPECTED TO PERFORM WITH GREAT EFFICIENCY AND DISTINCTION. WITHOUT THEM, AND AGAINST A HIGHLY SOPHISTICATED ENEMY SUBMARINE, THEIR DEDICATION AND VALOR WILL BE OF LITTLE EFFECT. WITHOUT BEING SO EQUIPPED, ONE CAN QUESTION WHETHER THESE SHIPS CAN BE CLASSED AS ASW ESCORTS AT ALL. WITHOUT THE TACTAS AND ASW HELICOPTERS, ANY CONVOY EFFORT WOULD HAVE TO ACCEPT A "FLAMING DATUM" CONCEPT FROM WHICH TO PROSECUTE AN ENEMY SUBMERSIBLE. YET, THE COST OF COMPLETELY EQUIPPING ALL 18 NRF FFG-7 FRIGATES WITH BOTH TACTAS AND ASW helicopters, would come to less than half the cost of just one new DDG-51 destroyer.

Recommendation:

The Naval Reserve Association recommends strongly that the Congress direct the Navy to equip all the NRF Frigates with the Towed Array Sonar within the FYDP years commencing with FY 85. NRA further recommends the addition of $54.0 Million to the FY 1985 OPN account to provide for the procurement of 7 sets of Towed Array Sonar for Naval Reserve Force Frigates. Five sets of the AN/SQR-18 should be earmarked for NRF FF-1052 class ships and two sets of AN/SQR-19 for the NRF FFG-7 Frigates.

SH-2 LAMPS Helicopters

The Naval Air Reserve is scheduled to start receiving SH-2 LAMPS helicopters in April 1984. HSL-84, formerly HS-84, at NAS North Island, California will receive an allowance of eight (8) aircraft during FY 1984. This will be followed by two more squadrons, each with eight (8) planes, HSL-74 (formerly HS-74) at NAS South Weymouth, Massachusetts in FY 1984, and then HSL-94 in FY 1986, probably at NAS Willow Grove, Pennsylvania. As Admiral Watkins stated, "...By the end of FY 84, the reserve forces will man their first F/A-18 squadron, their first 3 FFG-7 ships, and their first HSL LAMPS MK I squadron to support a modern ASW helo capability for reserve frigates..."

Unfortunately, the number of available LAMPS MK I deck spaces and ships far exceeds the number of helicopters that are currently programmed to be available in FY 85 or even FY 1990. This arbitrary budgeting limitation seriously degrades the ASW hunter/killer capability of the ships. The FFG-7 Weapons systems were designed to accomodate two LAMPS helicopters on each ship to provide the necessary reliability and coverage factor to locate and prosecute ASW contacts. With the dearth of ASW Maritime Convoy Escorts available for wartime employment (estimated by a CBO study to be in excess of 100 in the Atlantic alone) it appears to be penny-wise and dollar foolish to degrade the capability of a weapons system so necessary to the survival of the convoyed ships which in turn

ARE SO NECESSARY FOR THE RESUPPLY OF THE DEPLOYED COMBAT FORCES. THE CONVOY ESCORTS SHOULD NOT HAVE TO RELY ON "FLAMING DATUMS" FROM WHICH TO START THEIR HUNT FOR THE AGGRESSOR SUBMARINES.

ADMIRAL THOMAS B. HAYWARD, FORMER CHIEF OF NAVAL OPERATIONS, STATED, "...WITHOUT AN EFFECTIVE ASW HELICOPTER, THE ANTI-SUBMARINE CAPABILITIES OF THE FRIGATE AND DESTROYER IN MODERN NAVAL WARFARE ARE INCONSEQUENTIAL..."

TABLE (1) SHOWS THAT BY THE END OF FISCAL YEAR 1984 THERE WILL BE 123 SHIPS AND 192 DECK SPACES THAT ARE CAPABLE OF HANDLING ONLY THE LAMPS MK I HELICOPTER. THERE ARE ALSO 16 DECK SPACES ABOARD OTHER SHIPS WHICH ARE NOT PLANNED TO HAVE LAMPS HELICOPTERS ASSIGNED, FOR A TOTAL OF 208 LAMPS I DECK SPACES. BY 1991 THAT NUMBER DROPS TO 96 SHIPS AND 130 LAMPS MK I DECK SPACES, PROVIDED THE FFG-7 AND DD-963 CONVERSIONS ARE FUNDED. WHEN AN 85% DEPLOYMENT FACTOR IS CONSIDERED AS WELL AS PIPELINE AND TRAINING AIRCRAFT THE TOTAL LAMPS MK I REQUIREMENTS FOR FY 1991 TOTAL 157. THE PLANNED INVENTORY, AS ILLUSTRATED IN TABLE (1), IS 117 LEAVING A SHORTAGE OF 40 AIRCRAFT TO PROVIDE THE COVERAGE NECESSARY TO FULFILL THE CAPABILITY OF THE SHIP ASW WEAPONS SYSTEMS. THE SHORTAGE IS EVEN MORE PRONOUNCED WHEN THE BELKNAP AND VIRGINIA CLASS CRUISERS ARE CONSIDERED, AND IF THE SL-7S ARE GIVEN THE LAMPS MK I CAPABILITY (WHICH THEY SHOULD HAVE). THE SHORTAGE THEN IS IN THE NEIGHBORHOOD OF 60 OF THE LAMPS MK I HELICOPTERS. THE PRESENT PLAN WOULD SEND OUR ASW CONVOY ESCORTS INTO COMBAT AGAINST A GREATLY INCREASED SOVIET SUBMARINE THREAT WITH A REDUCED CAPABILITY ACROSS THE BOARD. IT IS OBVIOUS THAT, WITH THE SHORTFALL IN LAMPS HELICOPTERS, IT WOULD BE VERY DANGEROUS TO SEND, IN "HARMS WAY", THE SHIPS WITH THEIR CAPABILITY DEGRADED BY THIS SHORTAGE.

THERE IS ALSO AN ADDITIONAL REQUIREMENT TO FURNISH ONE EACH LAMPS MK I HELICOPTER FOR THE 12 COAST GUARD WHECS WHICH ARE BEING MODIFIED TO ACCOMMODATE THE LAMPS MK I. THE 12 COAST GUARD CUTTERS WILL CHOP TO THE NAVY UPON MOBILIZATION WITHOUT ASSIGNED HELICOPTERS, CONSEQUENTLY, IT IS UP TO THE NAVY TO PROVIDE THE HELICOPTER DETACHMENTS. SINCE THE COAST GUARD DOES NOT PLAN TO CARRY A LAMPS I HELICOPTER FOR DAY-TO-DAY OPERATIONS, THESE WHEC CUTTERS BECOME IDEAL PLATFORMS FOR RESERVE MOBILIZATION SLOTS. THE CUTTERS WILL COMPLETE THE MODIFICATION PROGRAM AT THE RATE OF THREE EACH YEAR 1985-1988.

THE PLAN

NRA proposes that sufficient LAMPS I resources be provided to the active forces so that every LAMPS MK I capable ship will have one active LAMPS MK I helicopter embarked in peace time. In addition, NRA requests the Congress to provide the Naval Reserve forces with enough LAMPS MK I helicopters to fill the decks of all the Reserve Frigates and, additionally, to augment or ROUNDOUT the detachments aboard the active force ships and the Coast Guard WHECs with the necessary LAMPS I helicopters to fill the vacant deck spaces along with the appropriate aircrew and maintenance personnel. (See Table (1) for a complete listing of all possible LAMPS MK I deck spaces).

To accomplish this, NRA proposes a procurement plan of 12 MK I LAMPS helicopters each year until all the LAMPS MK I deck spaces have been filled. This requires an additional buy of six (6) LAMPS MK I helicopters in FY 1985. The additional costs for FY 1985 would be:

FY 1985	
APN	$55.0 Million
Advance Procurement	8.0 Million
	$63.0 Million

The $63.0 Million buys additional six (6) LAMPS MK I helicopters in FY 85 including initial spares and support gear as well as the advanced procurement required to continue production of 12 helicopters in FY 1986.

LAMPS I REQUIREMENTS

TYPE OF SHIP	NO OF SHIPS		LAMPS I DECK SLOTS	
	1984	1991	1984	1991
FF 1040	6	6	6	6
FF 1052	46	46	46	46
FFG-1	6	6	6	6
FFG-7*	26	16	52	32
DD 963	31	—	62	—
DD 993	4	4	8	8
CG 47	2	2	4	4
BB	2	4	8	16
WHEC (Coast Guard)**	0	12	0	12
Sub Total	123	96	192	130
Deployed (85%)	105	82	163	111
Pipeline Aircraft (16.7%)	—	—	27	18
Training (25%)	—	—	41	28
Total	105	82	231	157

PREVIOUS PLANNED LAMPS I

	SHIPS		LAMPS I DECKS	
	1984	1991	1984	1991
SL-7***	3	8	3	8
CG-26 (BELKNAP)	9	9	9	9
CGN-38 (VIRGINIA)	4	4	4	4
Total	16	21	16	21

*10 FFG-7s presently planned for conversion to MK III

**WHEC conversion to MK I system on following schedule: Three each year FY 1985 - FY 1988

***LAMPS I not planned but required

SH-2F CURRENT AND PLANNED INVENTORY

		No. of Aircraft
Current		85
FY 82 (Delivery 1984/85)		18
FY 83 (Delivery 1985/86)		18
FY 84 (Delivery 1986)		6
FY 85 (Delivery 1987)		6
By FY 1987		133
	(Less Attrition)	- 8
		125
By FY 1991	(Less Attrition)	- 8
		117

Table (1)

Reserve Maritime Patrol (VP) Squadrons

"...P-3 maritime patrol aircraft, when provided information from broad-area surveillance systems on the general location of Soviet submarines, offer our best area antisubmarine capability..." quoted from Caspar Weinberger's Annual Report to the Congress, Fiscal Year 1985. Last year, Secretary Weinberger stated that, "...The Reserve Squadrons operate our oldest models, the P-3As and the early P-3Bs, which have become technically obsolete to the current Soviet Submarine threat..."

NRA agrees with Secretary Weinberger about the capability of the P-3A/B aircraft although with the Tactical/Navigation Modernization (TAC/NAVMOD) and the Triple Vernier modification, both of which are scheduled to be in all Reserve P-3A/B aircraft in the Fiscal Year 1987-88 time frame, the Reserve P-3 aircraft are capable of successfully combating most of the Soviet submarine force until the early 1990s, however, the latest advances in Soviet submarine technology provide challenges that only the P-3C Update III will be able to deal with successfully.

The answer to the need to counter the increasing Soviet underseas threat is to commence equipping the Reserve P-3 community with the more modern P-3Cs immediately in order to phase in the newer aircraft as the older P-3A/Bs run out of service life. This will retain ASW forces at current levels when the older aircraft will have to be retired from the active inventory. In order to accomplish this, NRA proposes a level buy of 12 P-3C Update III aircraft each year, an increase of three planes a year over the present five year plan.

The Navy, through a program of upgrading and modernizing, has been able to keep its Maritime Patrol Aircraft up to the state of the art in terms of Air Anti-Submarine Warfare since 1945 when the P-2 Neptune was first introduced. The P-3 modernization progressed from the P-3A through the light weight P-3B and the heavyweight P-3B, into the P-3C with Updates I, II and finally to the current production of the P-3C Update III.

The Reserve VP community accounts for 35% of the Naval Maritime Air Patrol Squadrons (13 of the 37 VP units). These Reserve VP units will be among the first called in the event of increased international tension. They will deploy with the aircraft on hand. If the aircraft with which the squadron mobilizes are not capable of countering the Soviet underseas fleet, then there is little sense in paying for an ASW Mobilization Weapons System that is unable to accomplish its mission. During FY 1983 the Reserve P-3 units performed 581 active operational missions in the Atlantic and Pacific which speaks well for their operational capability with their present equipment.

Recognizing that the Reserve crew capability is very high, costs less to maintain than the active crew and can be ready to deploy in hours should that be necessary, it makes good sense to equip such a unit with combat capable equipment, the tools with which it can do the job.

The Reserve VP is also tasked with supplying three crews each to the 24 active force squadrons in the event of a mobilization. Obviously, the training of these crews has to be accomplished in a like aircraft to that being flown by the augmented squadron. (This has not been the case in the past). Consequently, the Reserve units must have the particular type and model of aircraft available to do the job. This aspect of the training requirements placed upon the Naval Reserve will be covered in more detail later.

When evaluating the need to modernize or ignore the modernization problem, one must also understand that the worldwide wartime requirement for VP forces is considerably greater than the numbers now in place. Consequently, the failure to upgrade the P-3 Weapons System could prove disastrous in a major conflict.

The consensus of opinion among ASW planners is that Reserve P-3 squadrons, within the limitations of their equipment, are performing their assigned missions in an exemplary manner. The manning levels are higher than they have ever been and the experience levels, especially in the critical skill areas, are equal, if not superior, to those in the Active force. The Reserve squadrons have similar tasking to the active squadrons but differ significantly from the active forces in the aircraft which they are assigned. As will be shown later, the choice is to commence Reserve modernization now or lose force structure later.

The Active VP force consists of 24 squadrons plus the two training squadrons and the required RDT&E and pipeline aircraft. The overall force objective is to equip the active squadrons with P-3C aircraft and to flow down from the Active force modern P-3C aircraft to the Reserves to replace the older less capable P-3A and P-3B series aircraft as they reach the end of their 28 year service life. As of January 1984, the Active force has 19 P-3C and 5 P-3B squadrons. The Reserves have 3 P-3A and 9 P-3B squadrons. Through the FY 84 procurement, the Navy has on order 241 P-3C aircraft; 227 have been delivered of which three have been lost in accidents. The Five Year Defense Plan (FY '85-'89) proposes to procure an additional 45 P-3C aircraft which will essentially result in the achievement of an all Active P-3C force by the beginning of FY 1992, assuming normal peacetime attrition and production schedules. Figure (1) graphically depicts the composition of the Maritime Patrol forces as of January 1984 and projects the mix of aircraft that will make up that force through the year 2000 if a procurement rate of nine P-3C aircraft is maintained thru FY '98. The shortfall in our Reserve forces that will occur as the older P-3A and P-3B lightweight aircraft reach the end of their 28 year service life and age out of the inventory can be seen clearly. In the interim, the Reserve force, if additional aircraft are not procured, will continue to operate and train in the older less capable P-3A and P-3B aircraft. The Reserve forces cannot wait until 1992 to receive P-3C aircraft. The P-3A and P-3B aircraft are not capable of meeting the improving Soviet submarine threat in that time frame. The entire fleet of P-3A/B and P-3B aircraft in the Reserve force will reach the end of their 28 year service life between 1992 and 1996.

Secretary Weinberger has stated in his Annual Report that, "...Recent Navy assessments have recognized that the cost of converting our older force of P-3A and light-weight P-3B aircraft to a modern configuration and extending their useful service life would approach 80-85% of the cost of producing new P-3C aircraft." This would also leave us with an old airframe which could not be extended for more than 12 years. This does appear to be a cost effective approach. Although the present plan is to SLEP (Service Life Extension Program) the heavyweight P-3Bs, the cost is still 73% to 76% of the cost of a new aircraft, probably a reason to refigure the statistics before going ahead on that SLEP.

Assuming the Reserve retains in service the existing 41 heavy-weight P-3Bs

AND EXTENDS THEIR SERVICE LIFE (SLEP), THE REMAINING 93 P-3A AND P-3B AIRCRAFT MUST BE REPLACED IF THE FORCE LEVELS ARE TO BE RETAINED. FIGURE (1) GRAPHICALLY SHOWS THE SIGNIFICANT SHORTAGE WHICH WILL EXIST COMMENCING IN FY 1991 EVEN IF THE HEAVYWEIGHT P-3BS ARE PUT THROUGH A SERVICE LIFE EXTENSION PROGRAM (SLEP). IF WE WAIT TILL FY '90 TO ADDRESS THIS REPLACEMENT REQUIREMENT, THEN WE MUST INCREASE PRODUCTION IN FY 90-94 TO 19 AIRCRAFT EACH YEAR TO MAINTAIN FORCE LEVELS.

FIGURE (2) DEPICTS THE IMPACT ON THE RESERVE FORCES IF THREE ADDITIONAL P-3C AIRCRAFT ARE AUTHORIZED EACH YEAR COMMENCING WITH FY 1985. UNDER THIS PLAN, THE ACTIVE FORCES WOULD REACH ON ALL P-3C FORCE AT THE SAME TIME (FY 1992) AS PROJECTED IN THE 9/YEAR PLAN (FIGURE 1) BUT THE RESERVE P-3C FORCE WOULD CONSIST OF NEARLY SIX SQUADRONS BY THE END OF FISCAL YEAR 1995 (51 AIRCRAFT). THERE WOULD STILL BE A SMALL SHORTFALL FROM THE REQUIREMENTS EVEN CONSIDERING THE HEAVY-WEIGHT P-3BS ARE GIVEN A SLEP WHICH IS NOT A SURE THING AT THIS TIME. THE PROPOSAL TO FUND 12 P-3CS PER YEAR WILL NOT COMPLETELY SOLVE THE SHORTFALL BUT WILL SUBSTANTIALLY REDUCE IT, MEANWHILE BUILDING UP THE RESERVE P-3C INVENTORY AT A RATE WHICH WILL REALISTICALLY ADDRESS THE NAVAL RESERVE VP MOBILIZATION COMMITMENTS.

THE NAVAL RESERVE REQUIREMENT TO TRAIN THE 72 AUGMENTING CREWS WHICH WILL AUGMENT USN SQUADRONS IN CASE OF A MOBILIZATION IS BEING ADDRESSED ON AN INTERIM BASIS BY THE ACTIVE FORCE. THE ACTIVE FORCE VP COMMANDERS PLAN TO ESTABLISH MASTER AUGMENT UNITS (MAU) AT THREE ACTIVE FORCE SITES THROUGH THE LOAN OF P-3C AIRCRAFT TO THE RESERVE UNITS. THE NAVAL RESERVE WILL, BY THE USE OF ACTIVE DUTY TAR PERSONNEL, MAINTAIN THE AIRCRAFT AND TRAIN THE AUGMENTING CREWS. THE FIRST AIRCRAFT HAS BEEN ASSIGNED TO A UNIT AT NAS BRUNSWICK, MAINE AND EVENTUALLY UNITS WILL PROBABLY BE ESTABLISHED AT NAS JACKSONVILLE, FLORIDA AND NAS MOFFETT FIELD, CALIFORNIA. THIS PROPOSED PLAN IS LOGICAL IN THAT IT IS IMPORTANT TO THE ACTIVE FORCE TO ENSURE A FULL COMPLEMENT OF SQUADRON PILOTS IF PLACED ON A WARTIME SCHEDULE. AS THE P-3CS FLOW INTO THE NAVAL RESERVE FORCE, THE LOANED AIRCRAFT CAN BE RETURNED TO THE ACTIVE FORCE.

THE NRA PLAN TO COMMENCE PROCUREMENT IN FY 1985, OF 12 P-3CS EACH YEAR WOULD ACCOMPLISH THE FOLLOWING OBJECTIVES:

1. FILL THE MOBILIZATION REQUIREMENTS IN THE VP COMMUNITY AT AN ECONOMI-

CALLY FEASIBLE RATE AND PRECLUDE THE DETERIORATION OF AN ALREADY INADEQUATE FORCE STRUCTURE.

2. PROVIDE FOR THE EARLY TRAINING OF 72 RESERVE P-3C AIRCREWS REQUIRED TO AUGMENT THE ACTIVE DUTY SQUADRONS IN THE EVENT OF A MOBILIZATION.

   A. UPDATE III AIRCRAFT PROCURED FOR THE MOST PART WOULD BE ASSIGNED TO THE ACTIVE FORCE WHICH WOULD IN TURN TRANSFER, ON A ONE FOR ONE BASIS, FLEET P-3CS TO THE NAVAL RESERVE ENSURING THAT THE RESERVE MIX INCLUDES ENOUGH UPDATE II AND III AIRCRAFT TO CONDUCT THE AUGMENTATION TRAINING REQUIRED.

3. RETAIN THE CURRENCY OF ALREADY TRAINED FLEET PERSONNEL. PERSONNEL NOW LEAVING FLEET SQUADRONS HAVE TO GO THROUGH RETROGRESSIVE TRAINING INTO THE RESERVE AIRCRAFT. CONSIDERABLE MONIES CAN BE SAVED BY KEEPING SUCH QUALIFIED PERSONNEL CURRENT AND WILL HELP CONSIDERABLY IN THE RECRUITING OF EXPERIENCED PERSONNEL.

4. UTILIZE COMMON MAINTENANCE/SUPPLY SUPPORT SITES TO THE MAXIMUM EXTENT POSSIBLE.

5. PROVIDE A LOGICAL, RATIONAL AND FEASIBLE TRANSITION OF THE RESERVE VP COMMUNITY INTO THE P-3C AT A MORE ECONOMICAL PRODUCTION RATE THAN PREVIOUSLY PLANNED.

6. PROVIDE A REASONABLE PLAN TO MEET THE EVER INCREASING SOVIET SUBMARINE THREAT.

RECOMMENDATION:

THE NAVAL RESERVE ASSOCIATION RECOMMENDS THAT THE CONGRESS INCREASE THE PROCUREMENT OF P-3C UPDATE III AIRCRAFT TO 12 PER YEAR UNTIL THE ACTIVE AND RESERVE FORCE VP REQUIREMENTS ARE MET.

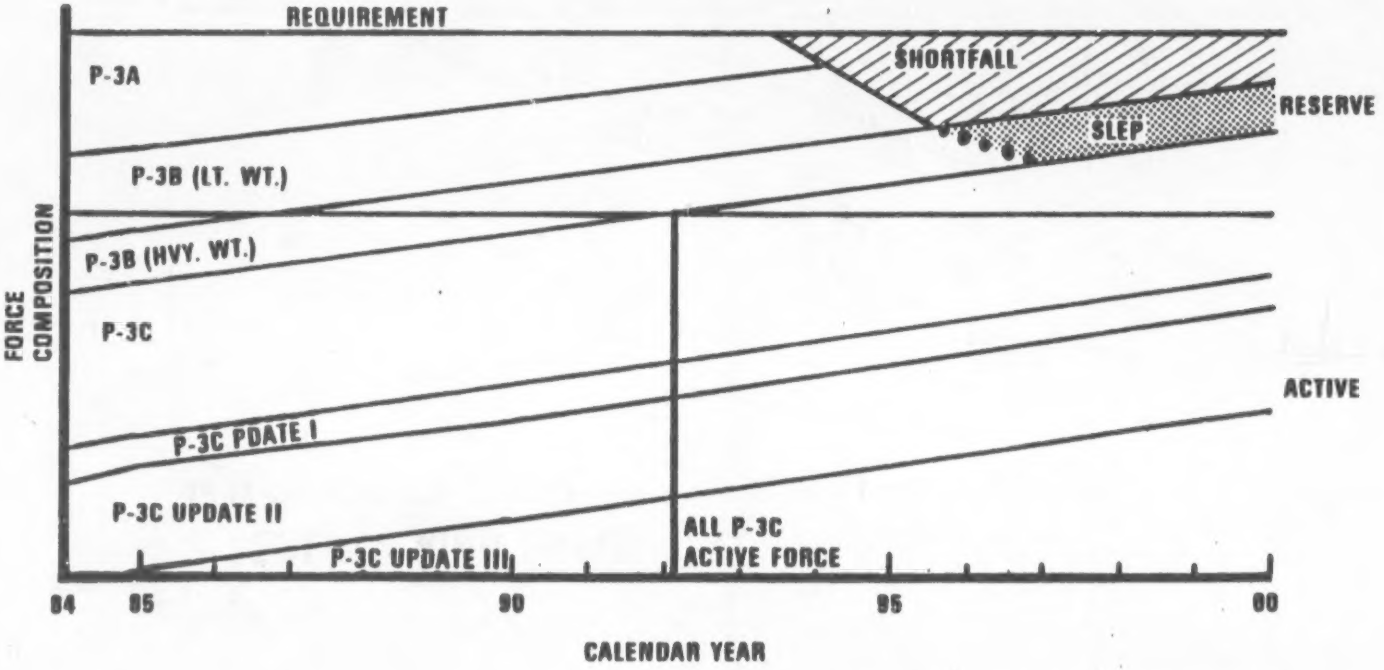
THE FLYAWAY COST OF THE AIRCRAFT WOULD BE APPROXIMATELY $35.2 MILLION PER AIRCRAFT IN FY 1985 DOLLARS OR APPROXIMATELY $105.0 MILLION PER YEAR FOR THE

THREE PLANES. THE COST OF EACH AIRCRAFT WOULD DECREASE APPROXIMATELY $600,000 PER/AIRCRAFT IF THE NAVY NEGOTIATES A SIMILAR CONTRACT WITH THE PRIME CONTRACTOR WHEREBY IF THE NAVY PROCURES 12 P-3C AIRCRAFT PER YEAR FOR THE NEXT 5 YEARS THEY WILL BE PRICED ON THE BASIS OF A 15 AIRCRAFT PER YEAR RATE AND AN ADDITIONAL CREDIT OF $500,000 WOULD BE PROVIDED TO THE NAVY FOR EACH AIRCRAFT OVER AND ABOVE THE 15 THAT WAS PRODUCED. THE CONTRACTOR HAS AGREED TO SUCH AN ARRANGEMENT IN WRITING. THE SITE SUPPORT WOULD RUN APPROXIMATELY $250,000 FOR EACH LOCATION WHERE THE RESERVE UNITS ARE COLOCATED WITH ACTIVE DUTY SQUADRONS. ONE LOCATION ONLY IS NECESSARY FOR THIS PROPOSED BUY.

Figure 1

MPA FORCE LEVEL PROJECTIONS

PROCUREMENT RATE FY 85-89; 9 ACFT/YR
ADJ FOR PEACETIME LOSSES

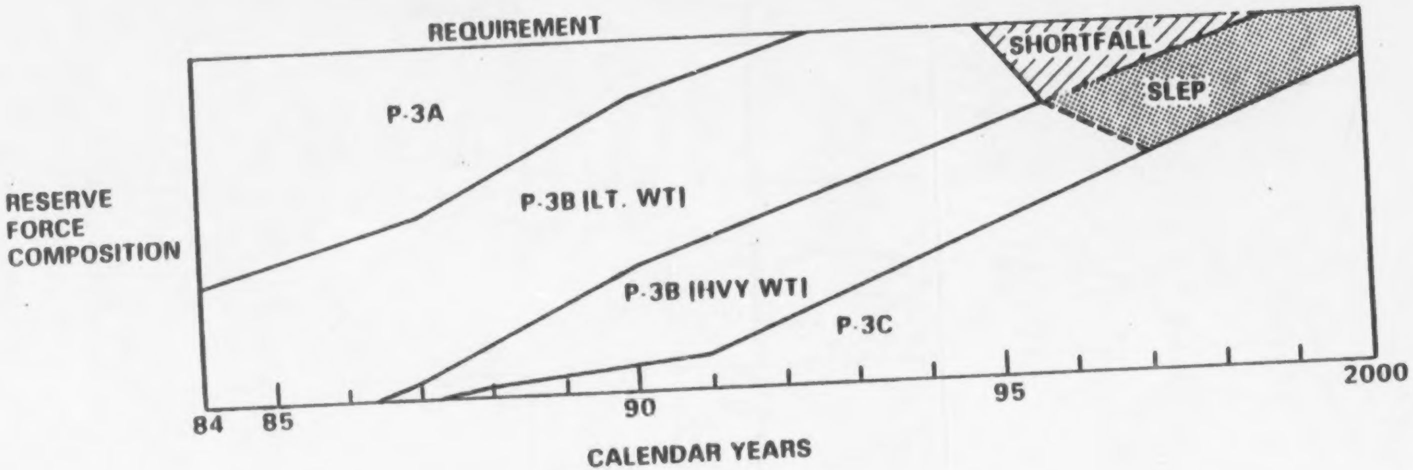


SLEP – SERVICE LIFE EXTENSION PROGRAM

Figure 2

RESERVE MPA FORCE LEVEL PROJECTIONS

NAVY PROCUREMENT RATE FY'85 – '98 AT 12 AIRCRAFT/YEAR



P-3A/B AQA-7 (V10-12) Display Update

The Naval Reserve Association proposes a buy of five (5) Service Test Models of the Display Update for the AQA-7 (V10-12) ASW Acoustic Processor. The AQA-7 (V10-12) is the latest version of the AQA-7 used in Active Duty Fleet Aircraft. The system contains triple vernier (3V) plus other improvements. This Display Update System consists of the AQA-7 (V10-12) modified to conform to technological advances currently being procured for the SQR-17A multi-channel ASW Spectrum Analysis System and the new fast-time ASW analyzers being supplied to ships and shore stations for post-mission ASW analysis and support. Provided the system is successful in the Service Test Phase, the NRA proposes that the Display Update System be installed in all P-3A/B aircraft, (which will not be backfitted with Proteus) that have sufficient time remaining in the service-life of the aircraft to make the installation worthwhile.

Currently, the P-3 Reserve community is equipped with "Base Line" AQA-7 (V1, 2) ASW Acoustic Processors. The Navy plans to upgrade the "Base Line" AQA-7's with AQA-7 (V10-12) by the end of FY 1988. As these systems migrate to Reserve aircraft, Reserve ASW capability and readiness will be improved. The upgrading of the AQA-7 and the Tactical/Navigation Modernization (TAC/NAVMOD) are the last of the Modernization programs currently authorized for the Reserve P-3 aircraft. If the proposed NRA plan to procure P-3C's for the Naval Reserve is implemented, the proposed display update of the AQA-7 could apply to approximately 40 heavyweight P-3B's, which will be in the Reserve inventory in the year 2000, and to a substantial number of P-3A's and lightweight P-3B's which remain in the Reserves until the mid-1990's. The cost of modifying aircraft to include the display update would be relatively inexpensive for the significant increase of capability gained if the service test results are as expected.

The AQA-7 Display Update System has capability beyond that suggested by its title. The Display Update System provides increased reliablity as well as increased display processing capability and removes significant limitations faced by operators of the present AQA-7 (V10-12). Preliminary estimates indicate the proposed display modification of the AQA-7 (V12) can result in performance improvement of over 50%, in some cases, as compared to the same equipment with standard displays. With this modified system in the Reserve aircraft, the capability of the aircraft will not only be improved, but several other benefits will be gained - Reserve acoustic operators will have the same format of display information as their active counterparts; fleet/reserve interoperability aboard aircraft and debrief sites will be enhanced; crewmen from the fleet joining the Reserve P-3 units would have compatible equipment with which to work thereby decreasing the amount of retrogressive training required.

A prototype system has been fabricated and is operational in the laboratory. Five (5) Service Test Models (STM) are needed for Operational Test and Evaluation (OT&E) by OPTEVFOR. The schedule, shown at figure (1), could be pursued and if the OT&E were successful, as expected, the procurement of production sets could commence in FY 1987 and could be incorporated in the heavyweight P-3B's commencing in FY 1988, whether they were in Reserve or active units at the time.

AQA-7 DISPLAY UPDATE PROGRAM SCHEDULE

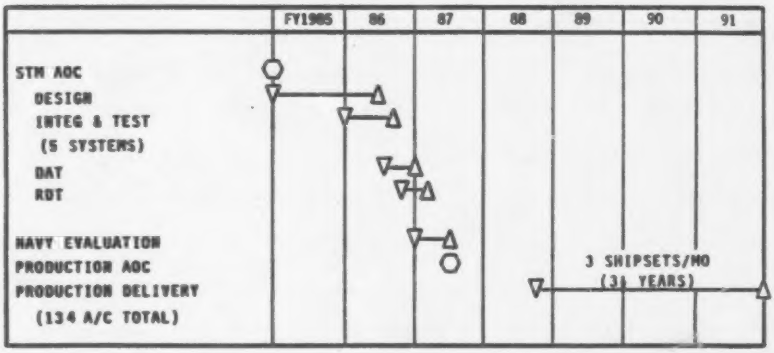


FIGURE 1

A determination could be made in that time-frame as to whether other P-3A/B aircraft should be modernized with the Display Update. Completion of this modification would enhance the capability of the Reserve P-3A/B aircraft. A P-3A/B with the TAC/NAVMOD, and the AQA-7 Display Update would provide the Navy and the United States with a very capable counter to the Soviet submarine menace pending receipt of the P-3C's into the Naval Reserve. The cost of the Display Update is relatively inexpensive as compared to the capability gained and is estimated to be approximately $0.35 million per ship set in FY 1985 dollars.

RECOMMENDATION:

THE NAVAL RESERVE ASSOCIATION STRONGLY RECOMMENDS THE CONGRESS TO AUTHORIZE AND FUND THE PROCUREMENT OF FIVE (5) SERVICE TEST MODELS OF THE DISPLAY UPDATE FOR THE AQA-7 (V10-12) AT A COST OF $7.5 MILLION IN FY 1985.

RESERVE NAVAL CONSTRUCTION FORCE (SEABEES)

THE RESERVE NAVAL CONSTRUCTION FORCE (RCNF) CONSISTS OF A BRIGADE HEADQUARTERS STAFF AND EIGHT OPERATIONAL REGIMENTS WHICH COMMAND AND CONTROL THE NAVAL MOBILE CONSTRUCTION BATTALIONS (NMCB) AND NAVAL CONSTRUCTION FORCE SUPPORT UNITS (NCFSU). THE ACCOMPANYING CHART SHOWS THE LOCATION OF ALL THE RESERVE CONSTRUCTION FORCE UNITS.

THE RESERVE CONSTRUCTION BATTALIONS COMPRISE 17 OF THE 25 NMCBS IN THE NAVY AND ARE AMONG THE BEST QUALIFIED IN THE WORLD, ACTIVE OR RESERVE, TO PERFORM THEIR MISSION. THEIR MISSION, WHICH IS THE SAME AS THEIR ACTIVE COUNTERPARTS, INCLUDES ADVANCE BASE CONSTRUCTION, SUPPORT OF MARINE AMPHIBIOUS FORCES AND WAR REPAIR DAMAGE. RESERVE CONSTRUCTION BATTALIONS WERE AMONG THE VERY FEW GUARD OR RESERVE UNITS TO BE CALLED DURING THE VIETNAM CONFLICT WHEN THE POLITICAL DECISION WAS MADE NOT TO CALL ANY OF THE RESERVE COMPONENT UNITS UNLESS ABSOLUTELY NECESSARY.

THE SEABEES GAINED AN EXCEPTIONALLY FINE REPUTATION DURING THE ISLAND HOPPING CAMPAIGNS OF WORLD WAR II. TODAY, WITH THE GREATER SPEED OF MODERN WARFARE AND THE GREATER DESTRUCTIVENESS OF MODERN WEAPONS, IT IS EVEN MORE VITAL TO HAVE HIGHLY SKILLED, WELL EQUIPPED CONSTRUCTION FORCES WHICH CAN OPERATE IN OR NEAR A HOSTILE ENVIRONMENT.

AS STATED PREVIOUSLY, THE RESERVE "CB" UNITS ARE MANNED BY VERY CAPABLE TECHNICIANS OF THE TRADES REQUIRED, HOWEVER, THE EQUIPMENT ON HAND, WHICH THEY NEED TO OPERATE, IS SADLY LACKING. THE REQUIREMENTS, TOGETHER WITH THE ON BOARD EQUIPMENT FOR THE TOTAL NAVAL CONSTRUCTION FORCE, ARE BEING SCRUBBED TO IDENTIFY

THE EXACT SHORTAGES BUT THE SHORTFALL IN THE RESERVE CIVIL ENGINEERING SUPPORT EQUIPMENT AND THE RESERVE MATERIAL HANDLING EQUIPMENT RESTS AT APPROXIMATELY $250 + MILLION. ON THE ASSUMPTION THAT OFFSETS OF 20% CAN BE LOCATED DURING THE "SCRUB", WHICH IS VERY OPTOMISTIC, THERE STILL EXISTS A DELTA OF AT LEAST $200 MILLION. THE NAVAL RESERVE ASSOCIATION BELIEVES THAT THIS PROBLEM NEEDS TO BE ADDRESSED NOW. THE NAVY NEEDS AT LEAST TWO MORE NAVAL CONSTRUCTION BATTALIONS BUT TO ESTABLISH THEM WOULD ONLY COMPOUND THE SHORTAGE OF EQUIPMENT. THIS ADDITIONAL REQUIREMENT TAKES INTO CONSIDERATION THAT THE RESERVE CONSTRUCTION BATTALIONS COMPLETE CONSIDERABLE ACTIVE FORCE CONSTRUCTION PROJECTS DURING THEIR DRILL AND ACTIVE DUTY FOR TRAINING PERIODS.

RECOMMENDATION:

THE NAVAL RESERVE ASSOCIATION RECOMMENDS THAT CONGRESS INITIATE A FISCAL YEAR PLAN TO EQUIP THE RESERVE NAVAL CONSTRUCTION BATTALIONS WITH THE NECESSARY EQUIPMENT THEY NEED TO BE A MOBILIZATION ASSET. THE PROPOSAL RECOMMENDS A PROCUREMENT AMOUNT OF $40 MILLION EACH YEAR, FOR FIVE YEARS, COMMENCING IN FY 1985.

VOLUNTEER TRAINING UNITS/CATEGORY "D" PERSONNEL

THIS IS A CARRY-OVER ISSUE FROM LAST YEAR. NRA ATTEMPTED UNSUCCESSULLY TO CONVINCE CONGRESS TO ADD $2.5 MILLION AND INCREASE THE ACTIVE DUTY FOR TRAINING (ACDUTRA) PERIODS ALLOCATED FOR CATEGORY "D" PERSONNEL FROM ONE-THIRD TO ONE-HALF OF THOSE NAVAL RESERVISTS ELIGIBLE TO PARTICIPATE IN THE PROGRAM. THIS YEAR NRA REQUESTS AN ADDITIONAL $2.0 MILLION TO FUND THE PROGRAM TO THE 71% LEVEL.

THE VOLUNTEER TRAINING UNITS ARE COMPOSED OF HIGHLY QUALIFIED PROFESSIONALS WHO DRILL WITHOUT PAY AND WHO REQUIRE TWO WEEKS ACDUTRA A YEAR TO MAINTAIN THEIR NAVY SKILLS. THE VARIOUS CHIEFS OF NAVAL RESERVE HAVE, OVER THE YEARS, ATTEMPTED TO SUPPORT ANNUAL ACDUTRA FOR ALL PERSONNEL, HOWEVER, AS A RESULT OF OLD BIASES ON THE PART OF OSD AND OMB (OFFICE OF MANAGEMENT AND BUDGET) ANALYSTS, THE NAVY FUNDING FOR THE CATEGORY "D" PERSONNEL HAS BEEN CUT EACH YEAR. THE NAVY PROPOSAL FOR FY 1985 WAS TO FUND 71% OF THE CATEGORY "D" NAVAL RESERVISTS WHO WERE ELIGIBLE FOR ACDUTRA, AND REQUIRED FOR MOBILIZATION. HOWEVER, IN THE BUDGET

REVIEW, THE AMOUNT ALLOCATED FOR THAT PURPOSE WAS CUT TO A 50% PARTICIPATION RATE. THE NAVAL RESERVE ASSOCIATION AND THE CHIEF OF NAVAL RESERVE BELIEVE STRONGLY THAT MORE FUNDS ARE NEEDED TO SUPPORT THE VERY VALUABLE MOBILIZATION ASSET REPRESENTED BY THIS GROUP.

THE GENESIS OF THE NAVY'S LACK OF SUCCESS GOES BACK TO THE LATE 1960S WHEN AN OMB BUDGET ANALYST DISCOVERED THAT SOME SENIOR NAVAL RESERVISTS, WHO WERE NOT MOBILIZATION ASSETS, WERE RECEIVING ACDUTRA ORDERS. HE FORCED A DRASTIC CUT IN THE WHOLE PROGRAM, IN EFFECT THROWING THE BABY OUT WITH THE BATH WATER. THE STIGMA HAS PERSISTED UNTIL TODAY.

THE NAVY VOLUNTEER TRAINING UNIT (VTU) PERSONNEL ARE IN THE M+1 AND M+2 CATEGORY, IN OTHER WORDS THEY ARE REQUIRED TO MOBILIZE 30-60 DAYS AFTER MOBILIZATION DAY. THE OTHER RESERVE COMPONENTS HAVE SELECTED RESERVISTS WHO FALL INTO THE M+6 CATEGORY YET, THE NAVY IS UNABLE TO FUND AN M+1 OR M+2 CATEGORY INDIVIDUAL FOR TWO WEEKS ACDUTRA A YEAR. IT SEEMS TO NRA, THAT THE NAVAL RESERVISTS HAVE SUFFERED ENOUGH FOR A SIN COMMITTED OVER 15 YEARS AGO.

RECOMMENDATION:

THE NAVAL RESERVE ASSOCIATION RECOMMENDS THAT CONGRESS SUPPORT AN ACDUTRA PERIOD (WITH PAY) INCREASE IN THE NAVAL RESERVE FROM A FUNDING LEVEL OF 50% OF THOSE ELIGIBLE IN THE CATEGORY "D", VOLUNTEER TRAINING UNITS, IN FY 1985, TO 71% OF THOSE ELIGIBLE AT AN ADDITIONAL COST OF $2.0 MILLION.

SELECTED RESERVE UNIT INCENTIVE PAY

THE NAVAL RESERVE ASSOCIATION STRONGLY SUPPORTS THE PROPOSED LEGISLATION TO PROVIDE INCENTIVE PAY OF UP TO $10 PER DRILL FOR SELECTED RESERVE ENLISTED PERSONNEL WHO VOLUNTARILY AFFILIATE AND TRAIN WITH HIGH PRIORITY UNITS DESIGNATED BY THE SECRETARY OF THE MILITARY DEPARTMENT.

THE PROPOSAL WAS INITIATED BY THE NAVY TO IMPROVE THE MANNING OF THE NRF SHIPS. THE SELECTED RESERVE PERSONNEL WHO MAN THE SHIPS OFTEN SPEND 44 HOURS OR MORE AT SEA OR A WEEKEND TRAINING UNDERGOING RIGOROUS TRAINING IN ADDITION TO THE

REQUIRED WATCH STANDING DUTIES. THIS COMPARES WITH A MORE NORMAL DRILL TIME OF 16 HOURS FOR WEEKEND DRILLS. A NATIONAL DEFENSE UNIVERSITY STUDY INDICATED THAT AN EXTRA $10 PER DRILL INCENTIVE WOULD IMPROVE DRILL ATTENDANCE WITH THE RESULTANT INCREASE IN NRF SHIP READINESS AND SUSTAINABILITY.

WITH THE INCREASING NUMBERS OF SHIPS ENTERING THE NAVAL RESERVE, PASSAGE OF SUCH LEGISLATION COULD HELP SIGNIFICANTLY TO MAN THE SHIPS OR OTHER HIGH PRIORITY UNITS AND PAY HIGH RETURNS FOR RELATIVELY LOW COSTS. OTHER SERVICES COULD ALSO AVAIL THEMSELVES OF THIS INCENTIVE.

COST PROJECTIONS ARE ONLY FOR PERSONNEL MANNING NAVAL RESERVE SHIPS AND ARE AS FOLLOWS: (IN THE MILLIONS OF DOLLARS)

FY 85	FY 86	FY 87	FY 88
1.056	1.199	1.355	1.601

(PAYMENT WOULD BE MADE SUBSEQUENT TO THE DRILL PERIOD).

RECOMMENDATION:

THE NAVAL RESERVE ASSOCIATION STRONGLY URGES THE CONGRESS TO ENACT THE LEGISLATIVE PROPOSAL BY THE NAVY "TO AMEND TITLE 37, UNITED STATES CODE, TO AUTHORIZE THE PAYMENT OF AN INCENTIVE PAY TO ENLISTED PERSONNEL OF THE SELECTED RESERVE WHO PARTICIPATE IN CERTAIN UNITS AS DESIGNATED BY THE SECRETARY OF A MILITARY DEPARTMENT".

CHIEF, NAVAL RESERVE/NAVAL RESERVE FORCES

THIS PROPOSED CHANGE HAS BEEN RECOMMENDED BY THE NAVAL RESERVE ASSOCIATION FOR MANY YEARS. THE PROPOSAL DOES NOT AT ALL REFLECT ON THE PERFORMANCE OF THE CURRENT CHIEF OF NAVAL RESERVE. NRA BELIEVES THAT THE MOST EFFECTIVE ORGANIZATION FOR THE NAVAL RESERVE WOULD BE ONE WHICH IS STRUCTURED WITH RESERVISTS AT THE TOP MANAGEMENT POSITIONS, MUCH LIKE MOST OF THE OTHER RESERVE COMPONENTS. RESERVISTS MANAGING RESERVE MATTERS NOT ONLY SOUNDS LOGICAL BUT HAS PROVEN

EFFECTIVE IN THE RESERVE COMPONENTS WHICH ARE SO ORGANIZED UNDER TITLE 10 U.S. CODE. NECESSARILY INCLUDED IN THIS PROPOSAL ARE THE TOOLS WITH WHICH THE NAVAL RESERVE CHIEF CAN ACCOMPLISH HIS TASKS. IT CANNOT BE A SINECURE POSITION AND FUNCTION WITH ANY DEGREE OF EFFECTIVENESS.

THE NRA, THEREFORE, SUPPORTS LEGISLATIVE INITIATIVE TO PROVIDE FOR A RESERVE FLAG OFFICER, EITHER SELECTED RESERVE, TAR OR 265, TO SERVE A FOUR-YEAR ASSIGNMENT AS CHIEF, NAVAL RESERVE/NAVAL RESERVE FORCES (CNAVRES/CNRF). ADDITIONALLY, TWO (2). DEPUTY CHIEF POSITIONS, ONE EACH FOR SURFACE AND AIR, SHOULD BE FILLED BY RESERVE FLAG OFFICERS. THE ASSIGNMENT OF RESERVE FLAG OFFICERS TO THE HIGHEST LEADERSHIP POSITIONS IN THE NAVAL RESERVE WILL PROVIDE THE NAVAL RESERVE FORCE WITH THE MAXIMUM RESERVE EXPERTISE AND UNDERSTANDING OF RESERVE MANAGEMENT PROBLEMS. THE STAFF/S OF THE CHIEF OF NAVAL RESERVE/NAVAL RESERVE FORCES SHOULD CONSIST OF A MINIMUM OF 40% RESERVE OFFICERS. CONCURRENT WITH ESTABLISHMENT OF AN ALL-RESERVE MANAGEMENT TEAM, AUTHORITY SHOULD BE GRANTED TO THE CHIEF, NAVAL RESERVE/NAVAL RESERVE FORCES TO ASSUME THE BUDGET PROGRAM PLANNING FUNCTIONS AND THE CONCURRENT FIDUCIARY RESPONSIBILITIES FOR EXPENDITURES FOR THE NAVAL RESERVE SIMILAR TO THAT AUTHORIZED FOR THE OTHER RESERVE COMPONENT CHIEFS.

TO PROPERLY EXECUTE THIS RESPONSIBLITY, THE CNAVRES/CNRF SHOULD ESTABLISH A COMPTROLLER ORGANIZATION WITHIN THE NAVAL RESERVE. ALL UNITS OF THE NAVAL RESERVE FORCES SHOULD BE PLACED UNDER THE OPERATIONAL CONTROL OF THE CNRF DURING PEACETIME CONDITIONS EXCEPT DURING PERIODS OF ACTIVE DUTY FOR TRAINING OR INACTIVE DUTY TRAINING PERIODS (DRILLS) THAT WOULD NECESSITATE TRANSFER TO OTHER FLEET COMMANDERS TO ACCOMPLISH TRAINING OR OPERATIONAL COMMITMENTS.

NRA FEELS THAT THE NAVY NEEDS TO VEST THE BUDGET MANAGEMENT, TRAINING AND OPERATIONAL RESPONSIBILITIES IN RESERVE LEADERS WHO CAN BEST SERVE THE OBJECTIVES OF THE NAVAL RESERVE MISSION.

RECOMMENDATION:

THE NRA RECOMMENDS THAT THE POSITION OF CHIEF, NAVAL RESERVE/NAVAL RESERVE FORCES, BE ESTABLISHED IN LAW AND PROVIDED WITH THE MANAGEMENT AUTHORITY AND

RESPONSIBILITY OF ALL NAVAL RESERVE ACTIVITIES, TO INCLUDE, BUT NOT BE LIMITED TO, TRAINING, PERSONNEL, PROGRAMS, BUDGETS, POLICY, FUNDS, FORCE STRUCTURE, PLANS AND ALLOCATION OF ALL MONIES APPROPRIATED BY THE CONGRESS FOR THE NAVAL RESERVE. THIS POSITION SHALL BE FILLED BY A RESERVE OFFICER WITH THE GRADE OF AT LEAST REAR ADMIRAL WHO WILL SERVE FOR A PERIOD OF 4 YEARS. THE APPOINTMENT AS CNAVRES/CNRF WILL BE MADE BY THE PRESIDENT, BY AND WITH THE ADVISE AND CONSENT OF THE SENATE.

TO ASSIST THE CNAVRES/CNRF IN EXECUTING HIS DUTIES THE POSITIONS OF DEPUTY, AIR AND DEPUTY, SURFACE SHOULD ALSO BE ESTABLISHED IN LAW. THE NRA RECOMMENDS THAT APPOINTMENTS BE MADE FROM NAVAL RESERVE REAR ADMIRALS OR COMMODORES BY THE SECRETARY OF THE NAVY AND THAT THEY HOLD OFFICE FOR FOUR YEARS.

NAVAL RESERVE MISSIONS

THE NAVAL RESERVE ASSOCIATION OFFERED A CONSIDERABLE NUMBER OF RECOMMENDATIONS LAST YEAR BEFORE SEVERAL CONGRESSIONAL COMMITTEES ON IDEAS FOR NAVAL RESERVE MISSIONS AND ROLES. BECAUSE OF THE CONSIDERABLE PRESSURE ON THE SERVICES TO ADDRESS THE ACTIVE/RESERVE MIX, INCLUDING A DENIAL BY THE CONGRESS OF MUCH OF THE PERSONNEL INCREASES REQUESTED BY THE NAVY AND AIR FORCE, THE NAVY HAS ESTABLISHED A GROUP TO STUDY TOTAL FORCE PLANNING. MANY OF THE PROPOSALS RECOMMENDED BY NRA WERE CONSIDERED FOR IMPLEMENTATION BY THE NAVY, SOME OF WHICH WERE REJECTED AND OTHERS FORWARDED TO THE CNO RECOMMENDING APPROVAL.

WHEN CONSIDERING WHAT NEW OR EXPANDED ROLES CAN BE ASSUMED BY THE NAVAL RESERVE, NRA HAS STATED SOME VERY IMPORTANT CAVEATS WHICH MUST BE CAREFULLY WEIGHED BY THOSE WHO MAKE THE TOTAL FORCE DECISIONS:

- DEFENSE PLANNING SHOULD CONSIDER THAT ANY ROLE OR MISSION WHICH CAN BE ASSUMED BY THE GUARD OR RESERVE SHOULD BE ASSIGNED TO THE APPROPRIATE COMPONENT. THOSE NOT ASSUMABLE SHOULD BE ASSIGNED TO THE ACTIVE FORCE.
- MISSIONS OR TASKS ASSIGNED TO A RESERVE COMPONENT MUST BE SUPPORTED. THIS SUPPORT IS TO BE BASED UPON THE WARTIME EMPLOYMENT PRIORITY OF THE UNIT/S.

- o Expanded requirements should be accomplished as expeditiously as possible but in a phased and orderly fashion to ensure the continuity of the capability.

- o Savings in the Defense budget cannot occur immediately. Phasing in the new programs would mean gradual, but significant savings in the out years.

- o Hard decisions have to be made by the Congress, the Administration and the Navy concerning different ways of doing business, i.e., forward deployment requirements and practices, also, the 100,000 Call-up for 90 days authority of the President should be included in the force structure planning.

- o Certain questions must be asked. Is it more important to pay the price for maintaining heavy peacetime deployment schedules than to increase our war-fighting capability? Is it necessary to deploy ships in the numbers and locations we have in the past? These decisions must be made at the national policy level.

- o Complete demographic studies must be made and consulted when determining homeporting locations and availability of required skills for manning Guard/Reserve units. So called "Marketing Studies" are not adequate for such TOTAL FORCE planning.

- o Ship/Squadron Deployments - A change in the traditional way of deploying ships, aircraft and personnel should be addressed as a possible means of conserving funds, freeing up assets and simplifying the training programs. One idea is to deploy ships/land-based aircraft squadrons to overseas locations and leave them there for extended periods, i.e., between overhauls for the ships. Crews could be flown back and forth from CONUS to the ships or aircraft squadrons in increments. There is a lot of wasted time in transiting ships over long distances and much continuity lost when relieving ships or land-based aircraft squadrons after short deployments.

Commensurate with the increased reliance on the Guard and Reserve, the Administration and the Congress should make it perfectly clear that the responsibilities being placed on the Reserve Components in their contributions to the national defense make them susceptible to being recalled for situations short of a national emergency. The President's authority to call up to 100,000 Selected Reservists for a maximum of 90 days should be cited. NRA believes that consideration should be given to increasing both the numbers of personnel and the length of service they can be called up for by the President. Six to nine months would be a much more logical period for any kind of a deployment of forces. Only if the active forces can be assured that the Guard and Reserve personnel can be called upon in a tight situation, short of a full mobilization, will they consent to assigning important mission areas to their Reserve Components. NRA regrets that during the Joint Senate/House Authorization Conference on the FY 84 Defense Authorization Bill, the SASC proposal to increase the call-up authority period to 180 days was dropped.

NRA will present many ideas and possibilities for increased Reserve participation but, it is obvious that there are many more possible tasks to give to the Naval Reserve than there are Reservists who would be required to fill those billets. The problem in the past has been that the Services have never addressed the full potential of the Reserve. Fortunately, we have at the present time a Secretary of the Navy who has convinced the Navy to address Reserve issues in greater depth. We have progressed both in the Naval Surface Reserve and in the Naval Air Reserve, but we still have a long way to go.

NRA believes that the most important consideration in force planning is warfighting capability and that particular capability does not have to operate on a day-to-day basis in peacetime.

The Naval Reserve already is charged with all or a majority of some Navy tasks or responsibilities. Included is the total responsibility for the U.S. based Logistics Airlift, the Light Attack Helicopter Mission, the Naval Combat SAR capability, the Naval Mobile Inshore Undersea Warfare (MIUW) and 99% of the Naval control of shipping. Over 80% of the Navy's assets in Ocean Minesweepers, Cargo Handling Battalions, and the Military Sealift Command; and more than 60% of the Mobile Construction Battalions (MCBs), and Special Boat Forces are assigned

TO THE NAVAL RESERVE. SIGNIFICANT CONTRIBUTIONS TO THE NAVY'S TOTAL EFFORTS IN MARITIME PATROL AIR, TACTICAL AIR WINGS AND NAVAL INTELLIGENCE ARE ALSO IN THE NAVAL RESERVE FORCES. THE TOTAL NUMBER OF SHIPS IN THE NRF DWINDLED TO ONLY 35 IN FY 1983, 36 IN FY 1984 AND WILL REMAIN RELATIVELY STABLE IN THE FIVE YEAR PLAN ACCORDING TO THE SECNAV POSTURE STATEMENT.

PERSONNEL

THE RESERVIST, IN MOST CASES, IS ALREADY TRAINED SO THAT THE MAIN EFFORT HAS TO BE TO KEEP HIS SKILLS CURRENT OR TO UPGRADE THE RESERVIST TO MORE MODERN EQUIPMENT. UNFORTUNATELY, MUCH OF THE RESERVE TRAINING IS RETROGRESSIVE, BACK TO OLDER EQUIPMENT THAN THAT WITH WHICH HE IS FAMILIAR.

TRAINING

THE SECRET OF TRAINING IN THE NAVAL RESERVE IS TO BE ABLE TO GET EXPERIENCED PERSONNEL TO THE EQUIPMENT TO MAINTAIN CURRENCY. CONSEQUENTLY, A BIG PUSH BY NRA FOR YEARS WAS, AND CONTINUES TO BE, TO PROCURE A MODERN NAVY ORGANIC AIRLIFT WITH WHICH TO GET EXPERIENCED PERSONNEL TO THE TRAINING PLATFORMS, PARTICULARLY NAVAL SURFACE RESERVE PERSONNEL. THE INTRODUCTION OF THE SEA AIR MARINER (SAM) PROGRAM WILL PRODUCE UP TO 10,000 INITIAL ENTRIES INTO THE NAVAL RESERVE EACH YEAR TO FILL THE UNRATED OR JUNIOR RATED MOBILIZATION POSITIONS. THIS IS A PROMISING PROGRAM, HOWEVER NRA IS STILL CONCERNED THAT AFTER FOUR YEARS OR SO OF THE SAM PROGRAM A LARGE PERCENTAGE OF THE NAVAL RESERVE DRILLING POPULATION WILL NEVER HAVE HAD A SEA DUTY TOUR. THAT IS NOT A GREAT PROBLEM IN THE AVIATION COMMUNITY BUT IT IS IN THE SURFACE RESERVE. ALSO, OF CONCERN, IS THE PROBABILITY THAT MANY OF THE SAMS WILL NOT RECEIVE A SCHOOL TRAINING WHICH NRA BELIEVES IS MANDATORY FOR A PROFESSIONAL PROGRAM. NRA ALSO BELIEVES THE OLD 2 x 6 PROGRAM IN WHICH AN ENLISTEE SPENT TWO YEARS ON ACTIVE DUTY AND THE REMAINDER OF HIS SIX YEAR OBLIGATION IN THE NAVAL RESERVE WAS IDEALLY SUITED FOR MANNING NRF SHIPS. ENOUGH OF THE 2 x 6 ENLISTEES SHIPPED OVER IN THE REGULAR NAVY TO MAKE THE PROGRAM WORTHWHILE FOR THE ACTIVE FORCE.

Equipment

Since Naval Reserve Personnel are, for the most part, already trained , the controlling factor on the ability of the Naval Reserve to perform its role rests on equipment availability and its currency. This fact dictates NRAs concerted effort to modernize the Naval Reserve Force with current, combat capable weapons systems.

Active/Reserve Mix

The Secretary of the Navy signed out "A REPORT TO THE CONGRESS ON THE NAVY'S TOTAL FORCE FEBRUARY 1984" as this testimony was being prepared. Most of the NRA recommendations made during the past few years were reportedly reviewed during the several months the study group considered the Total Force active/reserve mix. A quick review of the report (more time was not available) reveals that a lot of ground was covered in a very short period of time. It appears that the Navy has worked very hard to dispel a perception prevalent in Congress that the Navy is not committed to the Total Force Policy. NRA comments on the report will not be offered at this time. A thorough evaluation is necessary before discussing the end product.

Surface Reserve

The plan to phase the Frigates into the Naval Reserve is proceeding smoothly. This transition is very illustrative of how effective the Navy can be when its efforts are devoted to a cause rather than fighting it. Once the decision was made to transfer the FF-1052 and FFG-7 ships into the Naval Reserve the resistance to Congressional pressure was dropped. The same situation could occur if Navy made the decision to follow the Congressional guidance and NRA's recommendation to transfer Operational, Administrative and Funding Control of the NRF ships to the Chief of Naval Reserve.

The forward deployment scheduling would have to be modified before final decisions can be made in this area. Several possible actions could be taken

WHICH WOULD GREATLY AFFECT AN INCREASED NAVAL RESERVE ROLE IN THE SURFACE NAVY. A CUTBACK IN THE NUMBER OF SHIPS DEPLOYED OR IN THE NUMBER OF PLACES DEPLOYED TO AND POSSIBLE OPERATING SCHEDULE CHANGES COULD MAKE A CONSIDERABLE NUMBER OF ALTERNATIVES AVAILABLE FOR TRANSFER OF ACTIVE SHIPS TO THE NAVAL RESERVE FORCE (NRF).

THE SURFACE PORTION OF MINE WARFARE IS PRESENTLY A RESERVE MISSION. THE NEW MINE WARFARE SHIPS BEING PROCURED WILL GO INTO THE NRF AFTER 12-18 MONTHS OF SHAKEDOWN IN THE ACTIVE FORCE. THIS CONTINUES TO BE AN IDEAL MISSION FOR THE NRF.

DESTROYER/FRIGATES

THERE ARE 26 FF-1052 OR FFG-7 SHIPS WHICH ARE IN OR SLATED TO JOIN THE NRF BY 1990. TWO WERE ADDED TO THE LIST VERY RECENTLY BY SECNAV. THE SHIPS LACK SOME OF THEIR VERY IMPORTANT ASW SYSTEMS HOWEVER WITH NO RELIEF IN SIGHT, PRINCIPALLY IN LAMPS I HELICOPTERS AND TOWED ARRAY SONARS. NRA HAS REQUESTED THE CONGRESS TO COMMENCE RECTIFYING THE ASW SYSTEMS SHORTAGES.

IT IS POSSIBLE THAT SOME OF THE MOTHBALLED SHIPS, SUCH AS THE RECENTLY DECOMMISSIONED DD-931 CLASS DESTROYERS, COULD BE PUT IN A COLD IRON STATUS WITH A SMALL CADRE CREW ABOARD. SUCH A SHIP COULD BE ACTIVATED WITHIN A SHORT TIME FRAME. THIS POSSIBLE STATUS WOULD COST SLIGHTLY MORE MONEY ANNUALLY BUT THE SHIPS COULD BE READY FOR COMBAT A LOT FASTER WITH AN ASSIGNED CREW THAN IS NOW POSSIBLE. THE STUDY REPORT TURNED THIS REQUEST DOWN BUT NRA QUESTIONS THE ASSUMPTIONS USED AND CONSIDERS THE ISSUE STILL ACTIVE.

ARAPAHO

ARAPAHO IS THE CONCEPT OF USING MODERN TECHNOLOGY TO EQUIP CONTAINERSHIPS FOR NAVAL MILITARY MISSIONS. IT PROVIDES THE MEANS FOR RAPIDLY DEPLOYING VARIOUS NAVAL ASSETS THEREBY ACHIEVING QUICK FORCE MULTIPLICATION AT MINIMAL COST.

THE IDEA HAS RESULTED IN SEVERAL INITIATIVES MANDATED BY CONGRESS AND

RELUCTANTLY CARRIED FORWARD BY THE NAVY. THE LAST ITERATION RESULTED IN CONSTRUCTION OF A COMPLETELY CONTAINERIZED FACILITY FOR LAND/LAUNCH/STORAGE AND LIMITED SUPPORT OF ASW HELICOPTERS. THE DESIGN WAS TESTED SUCCESSFULLY IN CHESAPEAKE BAY IN 1982 AND THEN OFF-LOADED FOR STORAGE.

THE BRITISH, WHILE ENGAGED IN THE FALKLANDS UPROAR, SAW THE U.S. ARAPAHO MODULES AS ASSETS OF GREAT VALUE AND SUCCEEDED IN LEASING THEM. IN FACT, THE U.S. ARAPAHO ASSETS WERE RECENTLY USED TO OFF-LOAD THE BRITISH "PEACE KEEPING" FORCE FROM BEIRUT. THE BRITISH HAVE IMPROVED THE LEASED EQUIPMENT WITH ADDITIONS OF POL STORAGE, CREW BERTHING AND MESSING AND OTHER MODIFICATIONS OF VALUE TO THEM. THE WHOLE EPISODE HAS VINDICATED THE ARAPAHO CONCEPT AS USEFUL TO A NATION WHICH WISHES TO ACHIEVE A FORCE MULTIPLIER AT RELATIVELY LOW COST. IT ALLOWS A RAPID CONVERSION AND DEPLOYMENT OF NATIONAL ASSETS MANNED BY RESERVES.

OFF-THE-RECORD CONVERSATIONS WITH NAVY PLANNERS INDICATE A STRONG DESIRE TO HAVE THE CAPABILITY IN CASE OF WAR, BUT THESE OPINIONS ARE ATTENUATED BY CONCERNS ABOUT THE LACK OF AIRCRAFT ASSETS TO DEPLOY IN ARAPAHO IN CASE OF WAR. NRA IS ALSO CONCERNED ABOUT THESE ISSUES AND HAS GONE ON RECORD REQUESTING ADDITIONAL AIRCRAFT ASSETS FOR THE NAVAL RESERVE. IN THE OVERALL CONTINUUM OF NAVY PROJECTS - ALL OF WHICH ARE NECESSARY FOR DEFENSE - FEW, IF ANY, PROMISE THE DEGREE OF FLEXIBILITY AND FORCE MULTIPLICATION PER DOLLAR INVESTED THAN DOES ARAPAHO.

MUCH REMAINS TO BE ACCOMPLISHED BEFORE ARAPAHO CAN REPRESENT A VIABLE "FORCE IN BEING" AT THE DISPOSAL OF THE NATIONAL INTERESTS. ALTHOUGH THE DEVELOPMENT HAS CONCLUSIVELY PROVED THAT CONTAINERSHIPS CAN BE CONVERTED TO SUPPORT AVIATION ACTIVITIES IN GENERAL, LITTLE HAS BEEN DONE TO CONVERT THIS GENERAL CAPABILITY TO ONE USEFUL TO NATIONAL DEFENSE. WHAT MUST NOW BE DONE IS TO FOCUS ON A KNOWN MISSION OF CONCERN TO THE NAVY AND DESIGN A SUITABLE SET OF ARAPAHO "MODULES" TO ATTAIN AN EFFECTIVE CAPABILITY FOR THE MISSION.

THE ASW MISSIONS WOULD SEEM TO BE THE MOST LOGICAL TO HOME IN ON FIRST. NRA REQUESTS CONGRESS TO MANDATE THAT PLANS BE DRAWN FOR A SYSTEM TO SUPPORT AN ASW ARAPAHO PACKAGE WHICH WILL INCLUDE, AT LEAST: ASW HELICOPTERS; ASW DATA LINK; RADAR AND C3 FOR CONTROL OF AIRCRAFT; BRIEFING, DEBRIEFING AND LIVING SPACES;

CLOSE IN WEAPONS SYSTEM (CIWS); AIRCRAFT FUEL STORAGE AND REFUELING FACILITIES, ETC. THE MODERNIZATION CAN THEN BE EXPANDED INTO A MULTITUDE OF NAVAL MISSIONS TIED UP IN NEAT MODULAR PACKAGES.

ARAPAHO IS CONSIDERED TOO VIABLE AND VALUABLE A SYSTEM BY TOO MANY PEOPLE TO LET IT DIE A SLOW DEATH OF, OUT OF SIGHT, OUT OF MIND. NRA HOPES THE CONGRESS WILL ONCE AGAIN PICK UP THE ARAPAHO BALL AND PUT IT BACK INTO PLAY.

IT WAS NO SURPRISE THAT THE NAVY TOTAL FORCE MIX GROUP STUDY REPORT TURNED THUMBS DOWN ON ARAPAHO. NRA WILL CONTINUE TO RECOMMEND THE SYSTEM TO NAVY AND THE CONGRESS.

AMPHIBIOUS FORCE

THE RECOMMENDATION TO PLACE MANY OF THE AMPHIBIOUS SHIPS IN THE NAVAL RESERVE MET WITH CONSIDERABLE ACCEPTANCE BY THE STUDY GROUP FOR IMPLEMENTATION IN THE 1990s. NRA RECOMMENDED ADDITIONAL LSTs BE TRANSFERRED TO THE NRF AS WELL AS THE POSSIBILITY OF AN AMPHIBIOUS SQUADRON EXCEPT FOR THE LPH.

HOSPITAL SHIP

NRA RECOMMENDED THAT A SIGNIFICANT PORTION OF THE MEDICAL STAFF BE RESERVISTS. THE NAVY PLAN IS TO SKELETON MAN THE SHIP WITH MEDICAL PERSONNEL. IN CASE OF MOBILIZATION, THE OPEN BILLETS WILL BE FILLED WITH ACTIVE DUTY PERSONNEL FROM SHORE BILLETS AND THOSE VACATED POSITIONS WILL BE BACKFILLED BY RESERVISTS.

MERCHANT MARINE

THE SUPPORT SHIPS SUCH AS OILERS, AMMUNITION SHIPS, ETC., WHICH ARE UNDER CONTRACT TO THE NAVY HAVE A MINIMUM CREW ABOARD FOR NORMAL STEAMING. THESE SHIPS, WHICH WOULD BE NEEDED FOR WARTIME SUPPORT, COULD HAVE RESERVE CREWS ASSIGNED FOR THE CONTINGENCY WHEN THE CREW WOULD REQUIRE AUGMENTATION.

The study report was very favorably inclined to support this recommendation stating, "...if planned procurement of civilian manned TAOs is achieved, Navy plans to transfer these five AO-117 ships to the NRF commencing in FY 1988..."

Air Programs

Tactical Airlift

This program is a prime example of how effective Reserve assumption of a mission can be. Naval Reservists fly all Continental United States Navy Logistics Airlift missions, active and reserve. The long term controversy over whether the Navy would have an organic airlift capability has been satisfactorily resolved, at least for the present time. The money has been appropriated or requested to procure enough airlift aircraft to last for 25-30 years provided the commercial used aircraft market has not dried up before the requirement has been reached.

Maritime Patrol Air (MPA)

Covered earlier.

Mine Warfare

The surface mine warfare mission is fundamentally a Naval Reserve mission with 86% of the Ocean Minesweepers being in the NRF. Even more promising is the scheduled transfer of the new MCMs and MSHs into the NRF after a 12 to 18 month shakedown in the active force. The transfer to the Naval Reserve disappears occasionally from the FYDP but at the present time it is on schedule. The other half of the mission is missing, the aerial minesweeping. Back around the 1973/74 time frame the Helicopter Minesweeping mission was scheduled to be transferred to the Naval Air Reserve along with the assets. Just prior to the transfer, however, the Navy experienced a critical shortage of Carrier on board Delivery (COD) and Vertical on board Delivery (VOD) aircraft. As a result, Navy requested and received permission from OSD to cancel the transfer of the Minesweeping

Helicopters to the Naval Reserve and use the aircraft (sans minesweeping gear) for the VOD mission. Now that some nine or ten years has elapsed since that crisis it would seem feasible to complete the long delayed transfer of the Minesweeping Helos to the NRF. NRA believes at least two of the three squadrons should be in the Naval Reserve. The Total Force Mix Study agreed that as the new aircraft are introduced into the active force that some of the older aerial minesweepers can then migrate to the Naval Reserve. The active units have had emergency deployments only twice in their period of existence which could easily have been handled by recalling a Reserve unit for the required minesweep.

We hear rumors that at least a portion of the Mine Warfare ships may be on the chopping block again this year. NRA certainly hopes that does not occur. This country has already gambled that we will not need a Mine Sweeping capability in the near future by delaying the procurement of ships for that purpose. With the demonstrated capability and expertise of the Soviets in mining operations, it borders on self destruction to ignore the threat to our fleet in wartime. The Soviet Union possesses the largest mine stockpile in the world and the largest force to deliver the mines. This would not be an idle threat to our Navy in the event hostilities broke out between the two powers. Rear Admiral C.F. Horne III, the Commander, Mine Warfare Command stated the case very well, "...Mines may be weapons that wait, but mine warfare will wait no more..." At the present time there are three active fleet and 18 NRF MSOs which will be phased out of commission during the next eight years as 14 new MCM and 17 new MSH ships are scheduled to join the fleet.

The combination of helicopter minesweepers and MCM/MSH ships provides deep and shallow water capability. Add the Craft Of Opportunity Program (COOP), which the Naval Reserve will commence assuming this year, and the picture for mine warfare looks much better for the future.

It is obvious that the Naval Reserve Force, under the present plan, will bear considerable responsibilities for the mine defense of the United States. NRA strongly recommends that the Committee support the planned modernization of the Mine Warfare fleet and the transfer of two squadrons of minesweeping helicopters into the Naval Reserve Force.

SUMMARY

MR. CHAIRMAN, WE HOPE WE HAVE GIVEN YOU AND THE CONGRESS SOME FOOD FOR CONSIDERATION TODAY ON WAYS TO IMPROVE THE WARFIGHTING CAPABILITY OF OUR NATION IN THE MOST ECONOMICAL WAY POSSIBLE.

THE NAVAL RESERVE ASSOCIATION FULLY SUPPORTS THE SECRETARY OF THE NAVY AND THE CHIEF OF NAVAL OPERATIONS IN THEIR EFFORTS TO ACHIEVE MARITIME SUPERIORITY IN THE SHORTEST POSSIBLE TIME. THIS NATION CANNOT AFFORD TO BE SECOND BEST IN THE CONTROL OF THE WORLD'S OCEANS, THE AIR OVER THEM OR THE DEPTHS OF THEM. OUR ASSOCIATION IS FIRMLY COMMITTED TO THE ADMINISTRATION'S EFFORT TO REGAIN NAVAL SUPERIORITY, HOWEVER, WE DO BELIEVE THAT SIGNIFICANT, LONG TERM, SAVINGS CAN BE MADE IF MORE RELIANCE IS PLACED ON THE USE OF THE RESERVE.

WE HAVE STATED THAT OUR PERSONNEL ARE EXPERIENCED AND THAT MOST OF THEIR TRAINING WOULD BE REFRESHER OR, HOPEFULLY, UPGRADING TO NEWER GEAR. REGRETFULLY, MUCH OF THE EFFORT NOW HAS TO GO INTO RETROGRESSIVE TRAINING BACKWARD TO OLDER EQUIPMENT. EQUIPMENT IS THE KEY TO MISSION READINESS AND YOU CANNOT FIND A MORE CAPABLE WARTIME ASSET THAN A RESERVIST TRAINED ON A MODERN WEAPON SYSTEM. MORE AND MORE PEOPLE ARE BEGINNING TO REALIZE THAT FACT.

"TOTAL FORCE" AND "ONE NAVY" ARE TERMS THAT SEEM TO BE COMING OF AGE, TO MEAN WHAT THEY SAY. WE ASK THAT CONGRESS KEEP THE PRESSURE UP TO OBJECTIVELY DETERMINE THE BEST ACTIVE/RESERVE MIX IN THE NAVY. WE APPLAUD THE NAVY'S CURRENT EFFORTS TO ADDRESS THE ACTIVE/RESERVE MIX, HOWEVER, BASED ON PAST EXPERIENCE, THAT EFFORT COULD DISSOLVE RAPIDLY WITH A CHANGE IN MOTIVATING INFLUENCES.

WE HAVE COMMENTED ONLY BRIEFLY ON THE NAVY'S REPORT TO CONGRESS ON THEIR TOTAL FORCE BECAUSE WE HAVE NOT HAD A CHANCE TO DIGEST THE FULL REPORT. WE PRAISE THE EFFORT BUT HAVE RESERVATIONS ON SOME OF THE ASSUMPTIONS USED AND CONCLUSIONS REACHED.

MR. CHAIRMAN, COMMITTEE MEMBERS, NRA SINCERELY APPRECIATES YOUR INTEREST IN PROVIDING THIS COUNTRY WITH A GUARD AND RESERVE CAPABLE OF STEPPING INTO THE BREECH WHEN THEY ARE NEEDED IN A (POSSIBLE) CONFLICT. FOR THE MOST PART, THE CAPABILITY IS THERE IF THE SUPPORT IS PROVIDED. WHEN THE RESERVE COMPONENTS HAVE been manned and equipped and when they have been called, they have performed admirably in combat and in combat support roles. The Naval Reserve and the other Reserve Components will repay your efforts many times over in cost effective, wartime capable, assets.

CAPT WILLIAM B. HANLEY, USNR

Summary -- Twenty-three years experience in various areas of the computer industry, including twenty years in managerial capacities. Strong experience in recent years in military systems and airborne computers.

Education -- BA, Business Administration, Michigan State University, 1955

Management -- Have had responsiblity for budget and planning, selection and acquisition of major computer systems, third-party leasing, subcontract supervision, EDP audits, and project reviews.

Training -- Established in-house training program for special subject areas, and developed and taught an in-house seminar in the U.S., Canada, and several European countries. Established periodic training sessions for U.S. Canadian, and European technical personnel. Involved in various training programs and evaluation of training for the U.S. Navy.

Technical -- Strong background in systems evaluation. Hardware development experience and software experience in operating systems, utilities, compilers, simulation, and a wide range of applications. A significant amount of this effort applied to military applications. Considerable timesharing experience, including establishment of a large in-house timesharing service for a major corporation.

Marketing -- Considerable responsibility for marketing or market support over the past 13 years. Includes experience in Europe, South America and the Middle East.

Professional Experience

1969 - present - Control Data Corporation - Minneapolis, MN

1978 - Pres.	Program Manager, Navy Standard Airborne Computer, Government Systems Division. Also named as TACAMO Program Manager.
1976 - 1978	Manager, Market Development, Large Program Management
1975 - 1976	Program Resource Manager, Iran
1974 - 1975	Market Support Manager, International Government Education Programs
1972 - 1974	Product Support Manager, Professional Services Division
1969 - 1972	Consultant, Competitive Analysis

1966 - 1969 - Chrysler Corporation - Detroit, MI

1968 - 1969	Executive, Computer Utilization and Planning
1967 - 1968	Manager, Corporate Timesharing System
1966 - 1967	Manager, Computer Utilization and Planning

1963 - 1965 - Planning Rearch Corporation - Los Angeles, CA

Associate, Military and Advanced Software

1961 - 1963 - System Development Corporation - Paramus, NJ

Senior Analyst, Strategic Air Command System

1960 - 1961 - Western Electric Company - Kearny, NJ

Programmer Analyst, Systems Department

Military Service

1959 - present	U.S. Naval Reserve - Primarily responsible for systems analysis projects for the active forces. Commanding Officer, Volunteer Training Unit 7872.
1956 - 1959	Active Duty - Aviation Squadrons

Personal -- Married, 2 children, U.S. Citizen, Top Secret Clearance

C-9 AND RC-130 PROCUREMENT

Senator **Stevens**. We had $51 million for the Naval Reserve for C-9 procurement and $32 million for Marine Corps Reserve for RC-130 procurement. I think your $30 million is a little low. You may not have gotten as much as you think you should have gotten of the $1 billion, but our information is that there is more of that that has gone into the Reserve, the Naval Reserve, than you estimate.

Captain **Hanley**. Of course, as far as the C-9, we were not directly addressing this issue in this case.

Senator **Stevens**. You said only $30 million was added to the Naval Reserve.

Captain **Hanley**. Oh, I see.

Senator **Stevens**. I think you will find that it is close to $100 million that was added to the Naval Reserve out of $1 billion. That is not bad when we look at the Reserves on the overall basis.

Captain **Hanley**. That is true.

John, do you have any comment?

Captain **Bell**. There was a transfer into that from O&M, but the end result was about $30 million.

Senator **Stevens**. You do not count the C-9's?

Captain **Bell**. Yes, sir, but all of the O&M money was put into procurement, which was transferred over.

Senator **Stevens**. I understand. We bought them instead of leasing them.

Captain **Bell**. Yes, sir.

Senator **Stevens**. But you still get the money you put in.

Captain **Hanley**. Yes, but that was leasing, as far as procurement.

That was Captain John Bell on the staff of the reserve association.

Senator **Stevens**. Do you have any questions?

Senator **Rudman**. No.

Senator **Stevens**. Well, thank you very much, and we thank you gentlemen.

Georgetown University

STATEMENT OF FATHER BYRON COLLINS, S.J., ASSISTANT TO THE PRESIDENT, GEORGETOWN UNIVERSITY

ACCOMPANIED BY:

MARY S. ALBERT, SPECIAL ASSISTANT TO THE CHANCELLOR, GEORGETOWN UNIVERSITY MEDICAL CENTER

OREN FOUST, EBASCO

INTRODUCTION OF ASSOCIATES

Senator **Rudman**. Father Collins.

Father **Collins**. Good morning, Senator Stevens, Senator Rudman. It is a pleasure for us to be here.

On my right is Mary Albert from our Chancellor's office in the medical center. On my left is Oren Foust. He is associated with Georgetown in our specific exemplar project. I will be very brief.

Senator STEVENS. I have to go back some time and look up the number of years you have been here, Father. You have been here every year I have been here, and that is 15.

Father COLLINS. I started with—it will show you my age—when Speaker McCormack was majority leader. [Laughter.]

Senator STEVENS. That does not show you age. I was around here then, too. [Laughter.]

Senator RUDMAN. I was not. [Laughter.]

HEALTH PROFESSIONS SCHOLARSHIP PROGRAM

Father COLLINS. We just have two very brief points. One concerns the medical center, and that is the armed services health professions scholarship program. Georgetown University has been in this since its incipiency. It is one of the great mutual benefits for the medical student and the Armed Forces.

We commend to the committee the success of the program as it is presently administered, and it is a process that should be retained. Requirements are dropping some in terms of demand, but there are many students applying for each open space.

The second is, in the medical center, is our biomedical research across the board with the universities has been a great asset to the Department of Defense, and we encourage the further growth of that.

ARMY-UNIVERSITY EXAMPLAR PROGRAM

My next topic is one in which we would like to thank the committee for its support for our Army university exemplar program. As you know from the prior years, this is a research program, R&D, that has a very special element to it as a university component. It is R&D plus commercialization.

And a reprograming request for the specific element which we are undertaking is before your committee from Dr. Scully. We have asked for a positive and prompt response. The purpose of this program is very simple. It is to try and solve a problem that the Army and the Defense, but especially the Army, has in terms of its heating and cooling.

At the mandate of the Congress, it has changed from gas and oil to coal. Working with Dr. Scully's office for this will be the third year, we have devised a program that has three key elements: coal gasification, fuel cell, cogeneration.

These three elements together—added to that is private money in each of the sites, and the four sites we have reviewed and presented, there is one in Alaska, one in Texas, one in Pennsylvania, and then Georgetown in association with the Pentagon.

So we thank the committee for its support. We are going to the authorizing committee this year asking for inception of the program. If it is successful there, and it is hard to tell, we will have a figure in for appropriations in fiscal year 1985 for the actual start of the program.

So if there are any questions, we will be glad to try to respond to them.

[The prepared statement of Father Collins follows:]

PREPARED STATEMENT OF REV. T. BYRON COLLINS, S.J.

SPECIAL ASSISTANT TO THE PRESIDENT OF GEORGETOWN UNIVERSITY

Mr. Chairman and members of the Committee, I am Rev. T. Byron Collins, S.J., Special Assistant to the President of Georgetown University. With me is Mr. Oren Foust of EBASCO.

We would like to thank the Committee for your support of a planning grant for the University-Department of Army-National Exemplar for coal-gasification fuel cell cogeneration program:

> "Coal-gasification-fuel cell cogeneration- The Assistant Secretary of the Army for Research and Development is directed to provide an $820,000 planning grant through an interagency agreement with the Department of Energy to the appropriate university in Washington, D.C.. This grant will be for the university-Department of Army-national exemplar for coal-gasification-fuel cell cogeneration program. The feasibility study will analyze specific Army sites in Pennsylvania, Alaska, and also at the appropriate university site in the District of Columbia, with scope of work as contained in the hearing record." (Exhibit A)

The Department of Army is requesting a reprogramming of funds of $820,000 for this project. It is Defense Research Sciences Element #61102 in the Department's reprogramming request. We have met with Dr. Jay R. Sculley, the Assistant Secretary of the Army for Research, Development and Acquisition, who has been very supportive of our program (Exhibit B), and with Mr. William Vaughan, the Assistant Secretary for Fossil Fuels at the Department of Energy. The coal-gasification fuel cell cogeneration program will be done under a contract agreement between Georgetown University in association with EBASCO and the Department of Army in consultation with the Department of Energy. With the final approval of the Department of Army's reprogramming request, we are ready to proceed with detailed site analyses in Alaska, Texas, Pennsylvania, and the Georgetown University site in Washington, D.C., with its association with the Pentagon.

We are requesting that the Committee on Armed Services authorize a five-year National Exemplar Coal-gasification Fuel Cell Cogeneration Program. Our preliminary information provides strong indications of the viability of this program. The outline of the five-year program is attached (Exhibit C). We are requesting $9 million in FY85 for the first year of this program to produce the engineering documents and equipment testing for the four sites in the program to be done by Georgetown University in association with EBASCO. We, therefore, request that the Appropriations Committee provide $9 million when the authorizing proposal has been adopted so that the commercialization process can start immediately.

On behalf of our President. Rev. Timothy S. Healy, S.J., I would like to express our gratitude for this opportunity to testify before your committee.

(Exhibit A)

(Excerpts from Senate and House Appropriations Reports of fiscal year 1984)

Calendar No. 520

98TH CONGRESS
1st Session

SENATE

REPORT
No. 98-292

DEPARTMENT OF DEFENSE APPROPRIATION BILL, 1984

ITEMS OF SPECIAL INTEREST, ARMY

Coal-gasification-fuel cell cogeneration.—The Assistant Secretary of the Army for Research and Development is directed to provide a $820,000 planning grant through an interagency agreement with the Department of Energy to the appropriate university in Washington, D.C. This grant will be for the university-Department of Army-national exemplar for coal-gasification-fuel cell cogeneration program. The feasibility study will analyze specific Army sites in Pennsylvania, Alaska, and also at the appropriate university site in the District of Columbia, with scope of work as contained in the hearing record.

98TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT No.
98-427

DEPARTMENT OF DEFENSE APPROPRIATION BILL, 1984

ENERGY CONSERVATION TECHNOLOGY

The Committee requests the Army to reprogram $820,000 within available funds to implement an interagency agreement with the Department of Energy and Georgetown University to study whether fuel cell technology could be combined with a coal gasification cogeneration program at specific sites where coal conversion potential exists. Sponsors of the proposal have identified sites in Texas, Pennsylvania, Alaska and the District of Columbia as candidates for such review. The committee believes such technology is worth pursuing, should it lead to increases in energy efficiency and higher conservation standards. The Committee recognizes that this effort is subject to authorization.

(Exhibit B)

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, DC 20310

14 FEB 1984

T. Byron Collins, S. J.
Special Assistant for Federal
Relations
Office of the President
Georgetown University
Washington, D. C. 20057

Dear Father Collins:

Dr. Gordon Prather, Deputy for Science and Technology in my office, tells me that he has had several meetings with you and that things are proceeding smoothly. He has been instructed to do everything necessary to make this contractual study a success.

As you have been informed, Department of Defense regulations require that the full four-committee Congressional reprogramming actions be accomplished before the contract can be entered into. The Deputy Chief of Staff for Research, Development and Acquisition has identified the funds that will be reprogrammed and has initiated the reprogramming actions.

In the meantime, Dr. Prather has been meeting with those Department of Energy officials who will assist the Army in developing the Scope of Work for the study and by evaluating the product of the study. If all parties can agree speedily upon a Scope of Work, then we will be ready to begin the contract as soon as Congress gives us the go-ahead.

Please feel free to contact Dr. Prather (695-7674) at any time should questions arise about the status of Army actions to carry out this Congressional mandate.

Sincerely,

J.R. Sculley

J. R. Sculley
Assistant Secretary of the Army
(Research, Development and Acquisition)

(Exhibit C)

ATTACHMENT #1

ARMY/GEORGETOWN R&D PROGRAM FOR COAL GASIFICATION/FUEL CELL/COGENERATION SUMMARY TASK DESCRIPTION

The coal gasification/fuel cell/cogeneration program is envisaged as a five (5) year program for the licensing, design, installation and testing of the four (4) R&D facilities. The major work elements comprising the overall program are summarized below, and the cost breakdown by year is summarized in ATTACHMENT #2.

FY1985 Work Elements:

1. Perform Preliminary Engineering and Coal Gas Product Testing
   Preliminary engineering, system trade-off analyses and design will be developed for each site. This engineering effort will be coordinated with and assisted by the fuel cell and coal gasification manufacturers. Representative project coal supplies and gasifier systems will be tested in manufacturer pilot facilities to verify expected product gas quality. System design modifications will be incorporated if required.

2. Perform Definitive Cost Analysis
   Using the above site-specific system designs, precise project cost estimates will be made for each site. Detailed discussions with fuel cell manufacturers and potential coal suppliers concerning cost and schedule that initiated during the planning study will be continued.

3. Determine Environmental Baseline
   Investigations will be conducted to characterize the existing environmental baseline at each site in order to evaluate the impact of the proposed facilities.

4. Investigate Business Arrangements and Financing Alternatives
   Precise financial and economic analyses will be made for each site and the initial concepts concerning business arrangements and financing options refined. Detailed discussions with potential energy customers including electric and thermal, third party private investors and financial institutions that were initiated during the planning study will be continued.

FY1986 Work Elements:

1. Initiate Licensing Activities
The necessary federal, state and local permit applications and support documents will be prepared and submitted for each site.

2. Perform Engineering and Design Alternatives Analysis
In the process of finalizing the facility design at each site, major and auxiliary equipment and system alternatives will be evaluated in order to ensure a cost-effective and reliable product.

3. Perform Coal Gas Product - Fuel Cell Integration Testing
The product gas for each coal type/gasifier combination will be tested in fuel cell manufacturer pilot facilities to verify expected impact of gas purity on fuel cell performance.

4. Continue Business Arrangements and Financing Alternatives
The discussions and negotiations with potential energy customers including electric and thermal, third party private investors and financial institutions will continue and the business arrangement and financing schemes will be refined and tailored to each site situation.

5. Initiate Fuel Cell and Long Lead Equipment Procurement
Specifications for the coal supply and such long lead equipment as the fuel cell assembly, coal gasifier and handling/ storage equipment will be developed, bids evaluated and supply contracts awarded.

FY1987 Work Elements:

1. Complete Permit Acquisition
Licensing support activities will continue until all permits and approvals necessary for facility construction and operation are obtained.

2. Complete Final Engineering and Design
The final design for all major and auxiliary systems and site related support features will be completed and specifications developed.

3. Initiate Fuel Cell Fabrication
Initial funds will be committed to release the manufacturers for fabrication of the four fuel cell assemblies.

4. Finalize Equipment Procurement
Specifications will be issued, bids evaluated and supply contracts awarded for all remaining plant equipment.

5. Finalize Structures For Business Arrangements and Financing Packages
Final agreements will be reached with potential energy customers including electrical and thermal, third party private investors and financial institutions on the business arrangement and financing package for each site.

FY1988 Work Elements:

1. Execute Business and Financing Contracts
Negotiations with facility energy customers including electric and thermal, third party private investors and financial institutions for each site will be concluded and contracts signed. Legal charters for each owner/operator entity will be obtained and the third party investment commitment satisfied.

2. Initiate Site Construction
Onsite civil work such as roadways, pipeline access, excavation and foundations will commence upon receipt of construction permits.

3. Finalize Operating, Maintenance, Safety and Test Procedures
Standard operating, maintenance, safety and test procedures will be completed for each site.

FY1989 Work Elements:

1. Complete Construction and Installation
Facility construction and installation activities will be finalized at each site and all interconnections with electrical and thermal customers completed. Inventory (fuel, chemicals, etc.) for startup, testing and initial operation will be established.

2. Complete Startup and Testing
Performance evaluations will be made of all plant systems during the startup and testing phase to ensure quality of design, compliance with specifications and achievement of manufacturer guarantees.

ATTACHMENT #2

ARMY/GEORGETOWN R&D PROGRAM FOR COAL GASIFICATION/FUEL CELL/COGENERATION

ESTIMATED COST BREAKDOWN
FY1985-1989

The coal gasification/fuel cell/cogeneration program is envisaged as a five (5) year program. It is estimated that the four (4) R&D facilities will cost about $150 million in 1983 dollars, about $110 million army funds and $40 million private investment. This is about $4000 per installed kilowatt.

Fiscal Year (FY)	Key Work Elements	Cost Estimate (Constant 1983 $) ($1000) Army Funds	Private Funds	Cost Estimate (Escalated FY $) ($1000) Army Funds	Private Funds
1985	-perform preliminary engineering and gas product testing	9,000	-	9,000	-
	-perform definitive cost analysis				
	-determine environmental baseline				
	-investigate business arrangements and financing alternatives				
1986	-initiate licensing activities	20,000	-	25,000	-
	-perform engineering and design alternatives analysis				
	-perform gas product-fuel cell integration testing				
	-continue business arrangements and financing alternatives				
	-initiate fuel cell and long lead equipment procurement				
1987	-complete permit acquisition	30,000	-	40,000	-
	-complete final engineering and design				
	-initiate fuel cell fabrication				
	-finalize equipment procurement				
	-finalize structures for business arrangements and financing packages				
1988	-initiate site construction	35,000	-	45,000	-
	-finalize operating, maintenance, safety and test procedures				
	-execute business and financing contracts				
1989	-complete construction and installation	16,000	40,000	21,000	50,000
	-complete start up and testing				
		110,000	40,000	140,000	50,000
	Total	150,000		190,000	
	Not to Exceed:	125,000	45,000	160,000	60,000
	Total	170,000		220,000	

POTOMAC ELECTRIC POWER COMPANY
1900 PENNSYLVANIA AVE., N. W.
WASHINGTON, D. C. 20068

March 13, 1984

Mr. Dean Price
University Architect & Director
Facility Planning
Georgetown University
37th & O Streets N.W.
Washington, D.C. 20057

Subject: Gasifier/Fuel Cell Cogeneration

Dear Dean:

This will confirm our several discussions and PEPCO's continuing interest in your latest new technology demonstration. Fuel cells are innately good cogenerators and should find application in situations such as your own, with your combined demand for steam and electricity. I am excited about the prospects for fuel cells, and hope that they will be demonstrated to be a useful technology for the Washington area. As you know, PEPCO encourages customer generation of electricity, and fuel cells could be an effective means of accomplishing this.

For some time, I have believed that the ultimate market for fuel cells will depend on a means to use abundant coal resources for fuel. When I was involved in the EPRI committees, I was a keen supporter of their gasifier-fuel cell studies. The matching of a small gasifier to several fuel cell modules, such as you envision for Georgetown, could be a breakthrough which makes the fuel cell attractive to many utilities and their customers.

Fuel cells will undoubtedly be used with natural gas and petroleum distillate fuels, but a larger promise exists, I think, for their use with coal-derived gas. Therefore, I support your plan to investigate for the Army just how such plants might be made economically feasible. I hope we can look forward to a demonstration of that feasibility someday at Georgetown University.

Cordially,

Peter

Peter E. Schaub

AMERICAN PUBLIC POWER ASSOCIATION

March 14, 1984

Mr. Dean Price
University Architect
Director of Facilities Planning
Georgetown University
203 Healy Hall
37th and O Streets, N.W.
Washington, D.C. 20057

Dear Mr. Price:

I am writing in support of the Army's research and development program for coal gasification/fuel cells/cogeneration that Georgetown University is sponsoring.

Your plan to study several sites in anticipation of subsequent testing and evaluation of this innovative energy system is of interest to APPA and our members, insofar as efficient, environmentally acceptable, modular, and incremental sources of power with short lead times—such as the fuel cell--are presently being included in the strategic planning process of many of this Nation's publicly owned utilities.

Moreover, public power has a long history of support for the fuel cell. For your review, I've enclosed two of many related documents: "Why the Fuel Cell is Attractive" from the January/February, 1980 issue of Public Power magazine and a (four-year old) survey of some APPA member utilities regarding their fuel-cell interests.

You'll note from the survey that the interest (and the potential market) is considerable. Eighty percent of the utilities surveyed would like to add fuel cells to their generation mix before the year 2000. Virtually all are willing to consider operation in a cogeneration mode. And gaseous fuels are the overwhelming favorite. In other words, all the elements of your cooperative program with the Department of the Army have been previously endorsed by public power systems.

Because it features a diversity of: equipment suppliers and configurations, fuels, electric/thermal product mixes, institutional relationships, and public/private partnerships, your program would help bring flexibility to and help establish the commercial potential of this attractive technology.

It's noteworthy that the City of Santa Clara, California, Electric Department saw sufficient potential in a similar fuel-cell application to seek and receive APPA funds for an "Assessment of a Coal Gasifier Integrated with a Gas-Cooled Westinghouse Fuel Cell Power Plant for Local Publicly Owned Utlities" (summary report attached).

The American Public Power Association is the national trade organization representing more than 1,750 local publicly owned electric utilities in the United States, Puerto Rico, Guam, American Samoa, and the Virgin Islands.

Sincerely,

Eric

Eric Leber, Ph.D.
Director of Energy Research

RDT&E REPROGRAMING

Senator **Stevens**. We have been notified of the reprograming below the threshold for RDT&E for this coal gasification, fuel cell, and cogeneration projects. They indicate that they intend to initiate an effort with Georgetown to study whether this could be combined with coal gasification and cogeneration where the coal conversion potential exists.

I note one of the aspects is coal regions environment studies, and that you have indicated Alaska is included. That got my attention. [Laughter.]

Do you have any questions?

Senator **Rudman**. No, thank you, sir.

Senator **Stevens**. We thank you very much for taking your time. It looks like you are already on the road with the reprograming, Father.

Father **Collins**. Yes, I think so. If the committee would give us a favorable response, we would be grateful.

Senator **Stevens**. We will do our best in this year of reductions. But we will do our best.

Father **Collins**. Thank you, sir.

Senator **Stevens**. Thank you.

Reserve Officers Association of the United States

STATEMENT OF REAR ADM. ROBERT H. SPIRO, JR., U.S. NAVAL RESERVE, RETIRED, EXECUTIVE DIRECTOR, RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

INTRODUCTION OF WITNESS

Senator **Stevens**. Rear Adm. Robert H. Spiro, U.S. Navy Reserve, retired. Rear Admiral, I think this is the first appearance you have made before us as the new executive director, is that not right, Admiral?

Admiral **Spiro**. Yes, sir.

Senator **Stevens**. We are most happy to have you here. Your predecessor, Major General Milner, has been a frequent visitor and contributor to our dialog. We will be happy to work with you and look forward to that over the years.

Admiral **Spiro**. Thank you, sir. Mr. Stevens, Mr. Rudman, it is a pleasure to appear before this committee. It is an honor to be the new executive director of the Reserve Officers Association.

ACTIVITIES OF ASSOCIATION

Our association is 62 years old and the congressional charter tells us that it is our obligation, that is incumbent upon us, to help develop a military policy to assure national security. Our views are independent. It is a private organization, not a part of the Pentagon or any other governmental agency.

So it is our pleasure to appear before this committee and to speak briefly, summarizing the statement that we have prepared. We submitted a 39-page statement that fully outlines our views, which are independent and which are presented to the committee and Congress in the interest of national security.

In past years the Reserve Officers Association has recommended congressional action to provide better and modern equipment for our Reserve Forces as an economical way to maintain adequate Armed Forces in a dangerous world. That philosophy in our judgment is just as valid today, and the wisdom of action along these lines is now obviously apparent.

Secretary Weinberger made remarks to the Inter-Allied Confederation of Reserve Officers in August 1982. By the way, we represent the United States in this 12-nation NATO inter-allied endeavor called CIOR, a part of NATO. Secretary Weinberger said:

> We can no longer consider reserve forces as merely forces in reserve. We think, instead, that they have to be an integral part of the total forces, both within the United States and within NATO.

He added:

> It is clearly incumbent upon us to provide the reserves the training and equipment that they require to accomplish their mission. Without adequate equipment, reserve forces can neither be credible nor effective in combat, and we in the United States are making particular efforts now to ensure that our reserves and out National Guard units are equipped with the latest of tanks and weapons, planes and all kinds.

EFFECTIVENESS OF RESERVE FORCES

It is well known that Reserve Forces are the most economical source of units, when equipped and trained. At a time when the defense budget is under heavy attack, it would appear to be appropriate to increase reliance upon Reserves, and that means providing them with suitable equipment. We believe this is basically important and highly cost effective.

UTILIZATION OF RESERVES FOR DEFENSE MISSIONS

Last year Congress directed the Pentagon to examine ways to increase the utilization of Reserves for defense missions. ROA applauds Congress for this direction. So far, it seems that only the Navy has conducted its study with great enthusiasm. We urge this committee and other committees to support the Navy's efforts.

Despite the increasing interest in the Reserve Forces by the Congress and the improvements that have already been made, the equipment posture of most of the Reserve Forces, especially the Army, is still appalling. The figures speak for themselves, as are noted in subsequent portions of the this statement.

It should be understood that all too often Reserve units which are rated C-1, the highest readiness posture, are actually disadvantaged, since many times they are equipped with obsolete or obsolescent items. In starting to correct this situation, we recommend that this committee seriously consider fencing the items for Reserve use, because experience has shown that sometimes items designated for Feserve use may be diverted to other recipients.

I would like just briefly, in the time allotted to me, to comment about the three major divisions of the service. First, the Army Reserve, which is the largest and in many ways the most important. Congress has been requested to provide $2.969 billion in obligational authority to fund the Army's Reserve programs in this coming fiscal year.

We have presented a chart indicating the nature of this request, the actual for 1983 and the 1984 estimates and the 1985 request. We believe this to be a minimal and basic request.

CAPSTONE PROGRAM

The Grenada operation proved the practical value of the capstone program of the military forces. Without any wasted time for administrative processing, 30 reservists of the Army having capstone affiliation with CINCLANT volunteered and landed in Grenada in their normal post-mobilization missions.

To the Army Reserve, this indeed was a brilliant first and speaks well for the capstone as a mobilization vehicle. We think that is a keen illustration on a small scale of what actually can be done and was done in that case by the Army Reserve. The capstone program we think is a winner and can prove to be one of the most beneficial Army initiatives.

In 1985, travel funding supports capstone training for only 650 of 3,000 Army reservists. The ROA urges Congress to increase significantly the fiscal year 1985 funding so that each of the units has the opportunity to train with its active component at least once every 3 years. We think that is the minimum. For those units with a rapid deployment force mission, readiness training for this group should be budgeted annually.

The Reserve of the Navy is also an important part of defense. ROA is encouraged by actions taken by the Navy to support the Reserve in the fiscal 1985 budget submission. Together with last year's requested personnel strength increases, the administration's proposal to attain 110,000 selected reservists by the end of 1985 represents a significant breakthrough over the consistency of many years of strength reduction proposals.

UPGRADING OF NAVAL RESERVE FORCE

As we have stated before, the new direction provided by Secretary Lehman and Admiral Watkins, the CNO, have led to an upgrading of the Naval Reserve Force in recent years. The Navy's policy of horizontal integration of equipment into the Naval Reserve puts this service in the forefront of service support of Reserve components.

The introduction of frontline ships is quite unique, *Knox*- and *Perry*-class frigates, and frontline aircraft, the F-18's, the A-7E's, the F-14A's, E-2C's, is strong evidence of the Navy's intention to make one Navy a viable reality.

So in the strongest terms, we urge the committee and the Congress to support these initiatives.

We request funding of the Naval Reserve personnel request of $1.132 billion to support a fiscal year 1985 naval selected Reserve category A strength of 110,000. It should be noted that $283 million of this request represents a functional transfer of funding from OSD into the retirement accrual account and is not part of additional funding required to increase the strength as we think it should be.

The Naval Reserve has approximately 7,000 personnel in a nonpay drilling status. Most of these are meeting 90 percent of the drill requirements. We request that training duty for approximately 2,000 persons in this category be provided so that these nondrill pay reservists may at least have 2 weeks per year.

Mr. Chairman, as a reservist I spent 32 years in the inactive Reserve in addition to active duty. I had 1 year of drill pay. That is in the past, of course. We think that that is not good policy and most people will not continue the time and the interest and the correspondence courses and the travel and the attention that must be given without some drill pay, and we urge 2,000 reservists be given annual duty for training with pay.

We also recommend that Congress support the Navy's newly created P-3C Naval Reserve program, master augmentation unit program. We strongly recommend that P-3C production line be expanded to at least 12 per year commencing in 1985. This we believe is important for the Reserve and important for the Nation's security.

We also recommend that eight A-6E medium attack aircraft be procured for the Naval Reserve in 1985 and eight more be programed for the next 2 fiscal years.

AIR FORCE RESERVE STRENGTHS

I would like now to mention the importance of the U.S. Air Force in this connection, because we believe that attention should be given to that fact. In fiscal 1985, an average selected Reserve strength of 72,900 is requested, which is a 5.9 percent increase over 1984. This reflects the military personnel requirements for aircraft modernization, an additional unit.

The Air Force Reserve's mission support units increase in number from 155 in 1984 to 163 in fiscal 1985. The Air Force Reserve C-141's and the KC-10's and associate crews were among the first to supply missions in support of U.S. military operations in Grenada, demonstrating their availability and readiness to go wherever required.

We urge your support of funds to make several desired modifications for these F-4's so that they will remain survivable in combat in the late 1980's.

Last year procurement funds were appropriated for unspecified Air National Guard equipment. Unlike the previous year, none was included for the Air Force Reserve. In view of the Air Force Reserve fighter equipment requirements, at least as urgent as those of the Guard, we strongly recommend that there be appropriation for this purpose in this year's bill and that the Air Force Reserve be included.

We believe that equity and sound operational considerations dictate the Air Force Reserve share in any further C-130H addon aircraft procurement.

HEALTH CARE PROGRAM

We are concerned about the health care program and we urge that legislation that addresses the problem of additional health care personnel for the military forces be needed, unless we are going to realistically reduce the shortages that occur.

In conclusion, there are two factors that we believe encourage enlistment and retention, and of course personnel are the heart of any national security policy. In addition to pay and allowances, of course, retirement and educational opportunities we believe to be highly basic.

RETIREMENT PROGRAMS

ROA was pleased to see that the Congress slowed down last year in its restructuring of the military retirement program. The proposal to make permanent the half-COLA for those under age 62 was not enacted. Thus, our national defense force structure has been saved from what we believe are the ravages that this proposal would have caused.

It should be noted that the Army has found that retirement remains the most important factor in career reenlistment discussions. The Honorable Tidal McCoy, Assistant Secretary of the Air Force for Manpower and Reserve Affairs and Installations, told a committee last year that 64 percent of DOD nondisability retirees got less than the poverty level for a family of four of $9,680. We think that is an unfortunate figure.

We urge that this matter be given careful attention. ROA is concerned that those who do not understand or appreciate the sacrifices involved in military service will lead to a stampede that could result in major structural changes in the military retirement program.

Senator STEVENS. Can you break that down between 20-year and 30-year retirees?

Admiral SPIRO. No, sir, I cannot do that. I will be glad, of course, to get that information for you.

We feel essentially that, in view of national security interests, that the matter of retirement of Reserve personnel and regular active duty personnel is not simply a retirement matter. It is our feeling that because a large percentage of military officers and enlisted men over the years have been exposed to military combat operations, that retirement should be considered as part of the total package, in a way perhaps different from that in the civilian sector, governmental and private.

Senator STEVENS. How about, General, can you—you realize the President cut back the DOD original request by $16 billion before it was presented in the budget, and he was now agreed to reduce that another $14 million. So the DOD budget is actually down $30 billion before we even start marking up.

PRIORITY OF BUDGET RECOMMENDATIONS

Would it be possible for you to prioritize the recommendations of your organization, keeping in mind that there is going to be at least that $16 billion cut?

Admiral SPIRO. We would like to give that attention and offer in writing suggestions to the committee.

Senator STEVENS. We would welcome that, because we are going to have to make those, and I think Senator Tower would welcome them, too. We are going to have to make those hard decisions within the next few weeks.

Admiral **Spiro**. We will give you our recommendations right away. I might add, as I indicated initially, that our interest and concern is not simply in the Reserve Forces.

Senator **Stevens**. I understand that. That is why we are asking you across the board.

Admiral **Spiro**. The second and last item I wanted to mention is the fact that ROA continues to support the need for a new GI bill. We hope the Congress will take action this year to enact legislation such as that introduced by Representative Montgomery in H.R. 1400, which recognize the importance of an educational incentive.

Basically, his committee's suggestion that you will be getting in due course, I believe, is an entitlement of up to $149 a month for 36 months for individuals who enlist, reenlist, or extent for a 6-year period in the selected Reserve, that to be paid by DOD. It has been my experience as one who come from World War II and took bachelor's, master's and doctorate degrees, ultimately a doctor's degree, that this is a source of great encouragement to enlistment and reenlistment in the Reserve Forces.

We strongly support the education as well as the retirement initiative for the military forces.

Mr. Chairman, if there are any other questions I will seek to answer, with the clear understanding that I am a new guy on the block and I am learning. I will be glad to give you answers within my competence.

Senator **Stevens**. I made a mistake and called you General, Admiral. No offense.

Thank you very much. Thank you for coming.

Admiral **Spiro**. Thank you.

[The prepared statement of Admiral Spiro follows:]

Reserve Officers Association of the United States

PREPARED STATEMENT

Rear Admiral Robert H. Spiro, Jr., USNR (Ret.)
Executive Director

Mr. Chairman and Members of the Committee:

It is a pleasure to appear before this Committee. On behalf of the Reserve Officers Association, I wish to extend our thanks for this opportunity.

In past years, ROA has recommended Congressional action to provide better and more modern equipment for Reserve Forces as an economical way to maintain adequate armed forces in a dangerous world. That philosophy is just as valid today, and the wisdom of action along these lines is now obviously apparent.

As Secretary Caspar Weinberger stated in remarks to the Interallied Confederation of Reserve Officers in August 1982, "We can no longer consider Reserve Forces as merely forces in reserve. We think, instead, they have to be an integral part of the Total Force both within the United States and within NATO." He added, "It's clearly incumbent upon us to provide the Reserves the training and the equipment that they require to accomplish their mission.... Without adequate equipment, Reserve Forces can be neither credible nor effective in combat and we in the United States are making particular efforts now to insure that our Reserves and our National Guard units are equipped with the latest of tanks and weapons, planes of all kinds."

It is well known that Reserve Forces are the most economical source of units when they are properly equipped and trained. At a time when the Defense Budget is under heavy attack, it would appear to be appropriate to increase reliance on Reserves and that means providing them with suitable equipment.

Last year, Congress directed the Pentagon to examine ways to increase the utilization of Reserves for defense missions. ROA applauds the Congress for this direction. So far, it seems that only the Navy has conducted its study with enthusiasm. We urge this Committee and other committees to support the Navy's effort.

Despite the increasing interest in the Reserve Forces by the Congress and the improvements that have been made already, the equipment posture of most of the Reserve Forces, especially the Army, is still appalling. The figures speak for themselves, as will be noted in subsequent sections of this statement. And it should be understood that all too often, Reserve units which are rated "C-1" -- the highest readiness posture -- are actually at a disadvantage since many are equipped with obsolete or obsolescent items.

In starting to correct this situation, we recommend that this Committee seriously consider "fencing" the items for Reserve use since past experience has shown that items designated for Reserve use may be diverted for other recipients.

I would now like to examine the Reserve situation by Service.

ARMY RESERVE

The Congress has been requested to provide $2,969 billion in obligational authority to fund the Army Reserve's programs in Fiscal Year (FY) 1985. The following chart compares the Army Reserve budget request for FY 1985 with obligations for the last two (2) years.

($ in Millions)

	FY 83 Actual	FY 84 Estimate	FY 85 Request
Reserve Personnel Army	1,222.	1,395.	2,184.*
Operations and Maintenance	705.	692.	715.
Military Construction	42.	55.	70.
TOTAL PROGRAM	1,969.	2,142.	2,969.

* Includes Retired Pay Accrual of 560.

The FY 1985 budget request (net of the payroll accrual) represents a 12.4 percent increase over FY 1984. Thanks to the persistent guidance of the Congress, Department of the Army is requesting resources to fund increases in Army Reserve strength, bonuses and reenlistment bonuses, training programs, and the Army Reserve construction program.

Before discussing the Army Reserve budget for FY 1985, we believe both the Congress and the Army are owed a vote of thanks for the many areas in which substantial progress was made in the Army Reserve during the last fiscal year. Paid drill strength increased by over 7,000. The percentage of non prior service high school graduates recruited increased from 64.9 in FY 1982 to a more respectable 79.8 in FY 1983. Nurse strength stands at a 77.4 percent fill, up from 50.4 percent at the end of 1979. Medical officer strength improved significantly from 29.5 percent fill in July 1980 to 58.6 percent in FY 1983.

The Grenada operation proved the practical value of the CAPSTONE program. Without any wasted time for administrative processing, some thirty (30) Army Reservists having CAPSTONE affiliations with CINCLANT, volunteered and landed in Grenada to their normal post-mobilization missions. For the Army Reserve, this indeed was a brilliant first, and speaks well for CAPSTONE as a mobilization vehicle.

The Command and Control Structure of the Army Reserve, began a reorganization process. The nine (9) Army Readiness and Mobilization Regions, each commanded by an active duty major general are being inactivated with their functions being absorbed by existing US Army Commands (CONUSA), two newly activated CONUSAS, and the existing

Army Reserve Commands. In addition, a USAR general officer position as Deputy Commanding General, has been authorized in three (3) of five (5) CONUSAS. This, we believe, represents a significant first step in transferring Command and Control authority to the Army Reserve.

Finally, the most important enhancement to the authority of the Chief, Army Reserve, (CAR), was the establishment, under the CAR of a discrete office with responsibilities for individual Ready Reserve (IRR), Individual Mobilization Augmentees (IMA), and Active Guard/ Reserve (AGR) personnel management functions. The Army Reserve Personnel Center (ARPERCEN) also is responsible for personnel management counseling for members of Troop Program Units (TPU).

ARMY RESERVE PERSONNEL STRENGTH

RESERVE PERSONNEL, ARMY
End Strength (000)

	FY 83 Actual	FY 84 Estimate	FY 85 Request
Paid Drill Strength	251.1	258.4	270.1
Active Duty Strength	7.0	9.0	15.0
Individual Mobilization Augmentees (IMA)	8.1	10.7	13.4
TOTAL	266.2	278.1	298.4
Individual Ready Reserve	246.4	256.1	260.4

We are encouraged by the sustained increase in USAR strength planned for FY 1985. We strongly recommend however, that more emphasis is placed on recruiting a higher percentage of high school graduates in the non prior service category. The USAR high school graduate percentage of 79.8 is far behind the almost 90 percent being recruited for the active army. This short-fall of high school graduates adversely affects the capability of the Army Reserve to meet mobilization readiness. ROA urgently recommends that this Committee require Department of the Army to significantly increase the quality of recruits for the Army Reserve.

ROA strongly supports the incentive program established by the Congress to improve the number and quality of reserve component enlisted personnel. The cash bonus and educational programs do work. In FY 1982 they resulted in 10, 757 enlistment contracts with new soldiers channeled into high priority units and critical MOS's.

In FY 1983 the program provided 15,523 high quality enlistees. We believe that the Congress should continue this cost beneficial program which attracts qualified applicants who upgrade the readiness status of Army Reserve troop units, and increases the retention rate of high caliber soldiers.

FULL-TIME SUPPORT

The recent Grenada operation provides us with a real-world example proving the importance of having full-time, uniformed, mobilization assets at the troops unit level. An AGR officer, supporting an Army Reserve unit identified for participation in Grenada, was able, without the need for time consuming paper work, to immediately travel to the various operational Headquarters where he identified and arranged for the participation of over thirty (30) Army Reservists. Army Reserve troop units are in critical need of a material increase in the number of full-time Reservists to perform training, maintenance, and supply functions. A comprehensive, well managed full-time unit support program is indispensable to achieving mobilization readiness. If the Congress were to approve the budget request, the Army Reserve, with seven percent full-time support personnel, would still be far behind the other Reserve Component's ratio of full-time support to numbers of drilling reservists. At the same time, we believe that steps should be taken to protect the valid interests of the military technicians serving with the Army Reserve.

ARPERCEN

We believe that the quality of USAR personnel management should significantly improve under command of the CAR. This will result in increased personnel stability and enhanced recruiting and retention. In order to ensure its success, ROA feels it is critical during the first years, for ARPERCEN to be adequately funded and staffed, and receive full support of the Army and the Congress.

CAPSTONE

The CAPSTONE program is a winner. It has proven to be one of the most beneficial Army initiatives. The program aligns Reserve

Component units based on United States Army Europe's wartime requirements in order to develop a methodology that permits Active Component and Reserve Component units to train and plan in peacetime with the command they will deploy and fight with in wartime. This single initiative has focused training on wartime mission and has certainly improved Reserve Component readiness. We at ROA are very much concerned that this most important training program and others such as the scheduled Gallant Eagle Exercises which develop readiness to the sharpest degree, will be endangered by restricting the level of training travel funds needed to realistically implement the programs. FY 1985 travel funding supports CAPSTONE training for only 650 of the over 3,000 Army Reserve Units. ROA urges the Congress to significantly increase FY 1985 funding so that each unit has the opportunity to train with its active component counterpart at least once every three (3) years. For those units with a Rapid Deployment Force Mission, this readiness training should be budgeted annually.

NAVAL RESERVE

ROA is most encouraged by actions taken by the Navy in support of the Naval Reserve as reflected in the FY85 Budget submission. Together with last year's requested personnel strength increases, the administration's proposal to attain 110,000 Selected Reservists (Pay Category A) by the end of FY85 represents a significant break-through over the consistency of many years of strength reduction proposals.

As ROA has stated before, the support and direction provided by Secretary Lehman and the CNO, Admiral Watkins, have led the way in upgrading the Naval Reserve as a fighting force. The Navy's policy of horizontal integration of equipment into the Naval Reserve puts this service in the forefront of service support for a Reserve component. The introduction of front line ships -- Knox and Perry class frigates -- and front line aircraft -- F/A-18s, A-7Es, F-14As, and E-2Cs, -- is strong evidence of the Navy's intention to make "One Navy" a viable reality. ROA, in the strongest possible terms, urges continued Congressional support of these Navy initiatives.

PERSONNEL

The administration proposal to attain 110,000 Selected Reservists (Category A) by the end of FY85 is strongly supported by ROA. In fact, the FY84 and FY85 requests represent the first meaningful increases in Naval Selected Reserve strength contained in presidential Budget submissions in recent memory and appear to signify a positive change of direction in Naval Reserve manpower support. The current Navy plan calls for a Category "A" Selected Reserve strength of 124,219 by the end of FY89, an increase of over 25,000 from the plan submitted two years ago. A truly remarkable and amazing turnaround from just a very few years ago.

Accordingly, ROA urges approval of the Reserve Personnel funding request of $1.132 billion which will support an FY85 Naval Selected Reserve (Category A) strength of 110,000. (It should be noted that $283.3 million of this request represents a functional transfer of funding from OSD into the Retirement Accrual Account and is not part of the additional funding required to support increased strength).

Even with increased personnel strength in the Naval Reserve, the manning of high priority units, particularly the NRF ships, remains a problem. A significant contributing factor to the manning problem is the rigorous training and long hours spent by the Reserve Crew when the NRF ship goes to sea for the weekend. Such duty is not a "report at 0800, secure at 1700" type of drill found at many Reserve activities. The ship goes to sea for the weekend -- crew members don't go home on Saturday night! In addition to the eight hours of rigorous training which takes place during the working day, watches must be stood around the clock when the ship is at sea. For all of this extra work, the NRF Reserve crew member receives no incentive, except the "joy of going to sea."

Accordingly, the Navy has submitted proposed legislation, to amend 37 USC,"...to authorize payment of an incentive pay to enlisted personnel of the Selected Reserve who participate in certain units as designated by the Secretary of a Military department..." This proposed legislation would provide incentive pay of up to $10 per drill to those enlisted Reservists in units so designated - which would amount to $40-50 per drill weekend. Such an additional amount seems somewhat less than dramatic in today's economy; however, a study conducted by the National Defense University indicated that such a $10 per drill incentive would improve drill attendance and increase NRF ship readiness. With the increasing number of modern , front line ships entering the Naval Reserve creating even greater reliance on the NRF, full manning of these ships is a most critical need.

Accordingly, ROA strongly urges passage of this legislative proposal and additional FY85 funding in the amount of $1.056 million in the Reserve Personnel Navy appropriation to support this incentive program.

Mr. Chairman, you may be aware that the Naval Reserve has approximately 7000 personnel drilling in a non-pay status, (4390 officers and 2372 enlisted as of 31 December 1983). Most of these personnel are meeting 90 percent drill requirements and most are in non-pay units which are working alongside similar Selected Reserve Units, performing the same mission. These people have been pretty much ignored for years. In the early seventies, 2,900 of these personnel were authorized training duty annually. However, by 1976, that number was greatly reduced. The FY85 Budget request provides training duty for approximately 2000 persons in this category. In view of the fact that thousands of non-drilling IRR personnel from other Reserve components are authorized annual training duty with pay, ROA considers it unconscionable that over 5,000 Naval Reservists possessing valid mobilization assignments cannot perform training duty with pay even though they are attending at least 90 percent of all scheduled drills without pay. Accordingly, ROA strongly recommends that $8 million be added for Training Category "D" so that many more of these Naval Reservists may perform annual training duty with pay.

Organic Tactical Airlift

Funding and direction were provided in the FY84 Appropriations

Act to complete the modernization of the Naval Reserve Airlift Program. This action appears to represent successful completion of the efforts of many years to replace the aging and antiquated C-118 fleet. A problem which bears watching, however, is the apparent shortage of acceptable used DC-9 aircraft. If it appears at some future date that procurement funds are in danger of being lost because of used DC-9 non-availability, the Navy must rapidly consider alternative aircraft, such as used 727s.

TACNAVMOD

Funding and direction were provided in the FY84 Appropriations Act which apparently will complete the TACNAVMOD program, another issue going back over many years. As a result of the 27 kits funded in the FY84 Act, together with an accelerated transfer of modernized P-3B aircraft from the active force, the Navy intends to have the entire Naval Reserve inventory of 134 ASW P-3A/B aircraft equipped with TACNAVMOD by end FY87. According to the Navy's Total Force Report, submitted to the Congress, significant additional modernization, including the Triple Vernier Search modification, will also be accomplished on all Naval Reserve P-3A/Bs by end FY89.

This is one area, however, where continued Congressional interest is essential. These modernization programs must be recognized as a stop-gap measure. Because of the huge P-3A/B procurements in the mid-sixties, block obsolescence will be a significant factor by the mid-nineties. Expanded P-3C, Update III, procurement is the only long range solution.

P3C, UPDATE III, AIRCRAFT

We enthusiastically supported the initiative of the Senate in FY82 which recommended procurement authorization of two new P3C ASW Patrol Aircraft for the Naval Reserve. Unfortunately this initiative was never fulfilled.

The P-3C is the primary ASW weapons system in the inventory. We must maintain a higher rate of procurement than is now requested if we are to meet the Soviet submarine force threat for the forseeable future. Along with the Naval Reserve Association, ROA recommended that 3 new P-3C aircraft be procured for the Naval Reserve in FY84. That recommendation was not acted upon by the Congress. However, in October 1983, the Navy formed a Naval Reserve P-3C Squadron Augment Unit at Brunswick, Maine.

The Navy's Total Force Report contains an initiative to form 72 P-3C Naval Reserve augment crews (3 Master Augment Units -- MAU) and to provide them with 9 P-3C aircraft for training. The MAU is a promising concept for the Naval Reserve and is very similar to the Associate Unit program in the Air Force Reserve. Reserve training is conducted on the most up-to-date aircraft and systems. However, unless extra P-3Cs can be procured to augment these Regular squadrons and to replace aging P-3A/Bs in the Reserve Squadrons by the mid-nineties, block obsolescence will overcome the Maritime Patrol Aviation Program. The long term need, is to replace the aircraft in the Reserve VP squadrons with new, effective aircraft as rapidly as possible through the early expansion of the P-3C production line.

The relatively low anticipated production rate for the P-3C, update III, will have a serious effect on the active force; however, it will reduce the Naval Reserve to less than 40 P-3 aircraft -- down from the current level of 134 -- by the mid-nineties. ROA recommends to this committee an excellent and in-depth article on the P-3 problem, "Air Reserve and Maritime Patrol Aviation," contained in the February 1984 issue of the Naval Reserve Association News. The author makes a strong case that the absolute minimum annual P-3C procurement rate should be 12 -- and even this accelerated rate will result in the Naval Reserve retaining obsolete P-3Bs until 2009. He also makes a strong case that only by a procurement rate of 18 P-3Cs per year, commencing within the next couple of years,can the nation maintain a truly capable Naval Air Maritime Patrol Reserve force into the early twenty-first century.

ROA recommends that Congress support the Navy's newly created P-3C Naval Reserve MAU Program. However, we also strongly recommend that the P-3C production line be expanded to at least twelve per year, commencing in FY85. Production of twelve aircraft would result in an increase of three in the P-3C, Update III, procurement requested for FY85. Accordingly, ROA recommends that $105 million be added for FY85 procurement of P-3C, Update III, aircraft for the Naval Reserve.

Carrier Air Wing Modernization

The Navy is moving steadily ahead in this area. Although introduction of organic F/A-18 aircraft into the Naval Reserve has been delayed from FY85 to FY86, the Naval Reserve will commence flying F/A-18 aircraft from the Fleet Replacement Squadrons (FRS) this year. An unexpected bonus was the Navy initiative to introduce two squadrons of F-14A "Tomcat" aircraft into the Naval Reserve in 1984 and 1985. Meanwhile introduction of E-2Cs, A-7Es (correcting the A-7B problems referred to in last year's testimony) and F-4Ss continues.

While F/A-18 and F-14 aircraft are programmed for the Naval Reserve, A-6E aircraft have not yet been so programmed. Without this medium attack (all weather/all night) aircraft, the Naval Reserve Carrier Air Wings cannot be truly compatible with their Carrier support and maintenance facilities. The Navy's Total Force Report recognized the need for A-6E aircraft in the Naval Reserve, but notes availability is dependent upon increased production. Accordingly, ROA recommends that eight A-6E medium attack aircraft be procured for the Naval Reserve in FY85 and that eight more be programmed in each of the fiscal year, 1986 and 1987.

NRF FRIGATES

To support the Maritime Convoy Escort role assigned to the Naval Reserve, the Navy has approved a plan to transfer eight FF-1052 Knox class and eighteen FFG-7 Perry class frigates to the NRF. Currently, six Knox class and one Perry class frigate are in the NRF, with two more Perry class scheduled to transition to the NRF later this year.

While we applaud the Navy initiative for transferring relatively new mission capable ships into the NRF, ROA has some concern about their ASW capability. Originally, all FFG-7 Perry class frigates were to have been outfitted with theAN/SQR-19 Tactical Towed Array Sonar System (TACTAS). TACTAS is a passive acoustic sensor towed astern of cruisers, destroyers and frigates. This array gives the ships "ears" to detect submarines at ranges upwards of 60 miles. Currently, the Navy is planning to install the AN/SQR-19 Tactical Towed Array Sonar System (TACTAS) on the frigates it is retaining in the active force.

As budgets were massaged, apparently it was decided that those sixteen FFG-7s slated to join the Reserve Fleet, commencing in 1984, would have the AN/SQR-18A installed. This version of TACTAS, although of lesser capability than SQR-19, is still an excellent system, is less expensive, and certainly most necessary for these frigates to carry out their convoy escort ASW duties.

However, as ROA noted last year, we understand that while the NRF frigates may be "programmed" to receive SQR-18 and LAMPS I, the funding support is questionable. Currently, from what we can determine, no money is actually in the program for towed array installation on the FFG-7s scheduled for the NRF. The Navy has no plans to modernize the NRF FFG-7s for LAMPS III, but does plan to retain LAMPS I capability. However, Congress approved only 6 of the 12 SH-2F LAMPS I helicopters requested by the Navy in FY84.

Without TACTAS, the FFG-7 has only a short range (about five miles) hull-mounted sonar, the AN/SQS-56, installed. Even if LAMPS is installed, without TACTAS and with only the short range SQS-56 sonar to trigger it, the long range LAMPS is quite ineffectual.

One must remember that these FFG-7s were Admiral Zumwalt's low end of the high-low mix. They're merely hulls with questionable capability of performing any mission without retrofitted sensors and weapons. It is questionable that ships with a glorified fathometer for a sonar, and a weapon (ASROC) that is 1960 vintage, can be classed as ASW escorts at all. And, yet, the cost of completely equipping all 16 NRF frigates with both TACTAS and ASW helicopters, would come to less than half the cost of just one new DDG-51 destroyer. It is our understanding that the SQR-19 can be procured and installed for approximately $13.5 million per copy; the SQR-18 would run approximately $7 million installed.

The Reserve Officers Association asks the Congress to ensure that these Naval Reserve ships are adequately equipped to perform the missions to which they will be assigned, particularly in the area of Tactical Towed Array Sonar and ASW helicopters. These systems should be installed now, not in years to come. As part of this effort, we strongly recommend that Congress direct the equipping of all NRF frigates with TACTAS. Accordingly, ROA recommends that $54 million be appropriated in FY85 to purchase seven sets of Towed Array Sonar for NRF frigates. Also, ROA recommends that the six SH-2F LAMPS I helicopters requested in the FY85 budget be approved -- not eliminated as almost happened last year. Additionally, we join with the Naval Reserve Association in requesting that $63 million be added to the FY85 procurement appropriation to buy an additional six (for a total of twelve) LAMPS I helicopters for the NRF frigates.

MINE WARFARE/MINE COUNTERMEASURES

Today, the Warsaw Pact nations pose the greatest mine threat to the free world. The Soviets have emphasized mine warfare technology for generations and now possess the largest stockpile of mines in history and the largest force to deliver them.

Because of America's role in the reinforcement and resupply of Europe in wartime, we can expect that mines will be placed in our waters. The history of German mining in American waters during WWII cetainly reinforces this expectation. In such a situation, our strategic and tactical forces, as well as our reinforcement and resupply ships, must have immediate breakout capability from our ports and safe transit through choke points. To accomplish this, we obviously must have sufficient numbers of capable and ready mine countermeasures (MCM) assets.

Our total MCM inventory today consists of 21 MSOs (1950 vintage) and 23 RH-53-D helicopters (1960 vintage). As a frame of referance, we had several hundred MCM ships in commission during WWII, with more than 100 minesweepers dedicated for the duration just to insure that our East Coast and Gulf ports were kept open. Obviously, the numbers today are totally inadequate. The situation is further exacerbated by the fact that our 21 old and obsolete MSOs do not have the countermeasures equipment to cope with the current mine threat. Our present surface mine countermeasuress forces are deficient in numbers, technical capability and reliability.

As a start towards closing this obvious gap, the contract for the USS Avenger (MCM-1) our first new mine countermeasures ship since the 1950's, was signed on 29 June 1982. This new Avenger class will be a state-of-the-art minehunter and neutralizer with the added capability of mechanical and influence sweeping. The MCM-1 will have a variable depth sonar (VDS) to hunt mines and a remotely controlled underwater vehicle to neutralize moored as well as botton (ground) mines. A fully automated mine countermeasures information center will receive, plot, and evaluate all mine information. This center will be equipped with a modern precise integrated navigation system (PINS) to permit the MCM-1 to accurately determine mine positions and to reaquire previously reported mines.

The current plan is that the three active fleet and 18 Naval Reserve Force MSO's will be phased gradually out of commission by the end of FY91 as the 14 new MCM and 17 new MSH ships join the fleet. The Navy intends to assign these new ships to the NRF after a period of initial shakedown, probably 12-16 months each. The advent of these MCM and MSH ships will increase the number of Naval Reserve Force mine warfare ships from 18 now to a total of 31 as the building program completes in the early 1990's.

Mr. Chairman, ROA strongly urges that Congress approve procurement of the four MCM-1 class ships requested in the FY85 budget. All four ships are required because the MCM-1 program is already behind schedule since only five of the nine MCMs requested by the Navy have so far been approved by the Congress.

ARAPAHO

Briefly, ARAPAHO is a convoy protection program which places ASW helicopter on board merchant ships. Specifically built and outfitted containers, which can be loaded or unloaded by standard equipment, are positioned aboard merchant ships to form a hangar, flight deck, work and operating control spaces and even living accomodations for detachment personnel. In addition to ASW, the concept is adaptable to other missions, such as mine countermeasures, close air support, etc.

In the opinion of many, more attention should be paid to equipping ships, not currently having ASW as a mission, with ASW weapons and systems to enable them to protect themselves. Such a program would cost far less than building the many escort ships that would be needed in time of war. ROA submits that ARAPAHO fits precisely into that hypothesis.

Unfortunately, ARAPAHO was not recommended for follow-on action by the Navy's Total Force Report, even though the report acknowledged that ARAPAHO is an efficient method of gaining limited additional protection. Shortage of LAMPS helicopters appears to be the prevailing argument against adoption at this time, the Navy arguing that is has not been able to provide LAMPS helicopters to all destroyers and frigates designed to operate them.

ROA recognized the competition for funds and agrees that additional helicopters are needed for both the ASW ships and to make ARAPAHO a viable option. Nevertheless, we recommend that, at a minimum, this program be funded to a level of $6 million in FY85 and that the Navy be directed to continue Research and Development of ARAPAHO to determine ASW effectiveness and usefulness in antiship missle defense.

MARINE CORPS RESERVE

Personnel

The Marine Corps Reserve is a major factor in the Total Marine Force, contributing one-fourth of the structure and one-third of the manpower. As has been the case for the last few years, the Marine Corps Reserve manpower requirements appear to be well provided for in the FY85 budget request.

ROA compliments the Marine Corps on their continuing recognition of the Reserve contribution and on their consistent support of the Reserve component. The Marine Corps Reserve Budget has reflected real growth every year since FY78, including almost ten percent real growth in the FY85 submission. This support has enabled the Marine Corps Reserve to meet and usually exceed the OSD Program Guidance. Accordingly, ROA strongly urges approval of the Reserve Personnel funding request of $269.5 million which will support an increased FY85 Marine Corps Reserve Selected Reserve end strength of 46,447 (average strength 44,300). The Marine Corps Reserve also deserves high praise for the personnel quality recruiters have been able to attain. In FY80, only 76 percent of non-prior service accessions were high school graduates; in FY83, 94 percent were high school graduates. This is a truly remarkable feat!

While certain grade and skill shortages continue to be of concern in the Marine Corps Reserve, initiatives which we discussed last year appear to be working. Since the problem was most evident in prior service accessions, the Marine Corps initiated a special prior service recruiting program in February 1983 designed to ensure that only those personnel with proper grades and skills were enlisted. In the test area, 89 percent of those enlisted met grade and skill requirements -- no small feat since increased quantity of enlistees was also necessary to meet increased strength requirements. Recent results are showing a 99 percent match!

Equipment

ROA expressed great concern last year over the status of the war reserve equipment stock level. These stocks had been badly depleted during the last several years for a variety of reasons, including foreign military sales and equipment support for RDJTF Near Term Prepositioning Ships program. No significant efforts were being made through the budget process to effect a satisfactory replacement program for these vitally needed stocks. At the time of the FY84 budget submission, the 1982 shortfall of $684.2 million had been reduced only by $20 million, to a shortfall level of $645 million. In our opinion the FY84 budget insufficiently addressed the magnitude of the problem, requesting only approximately $55 million for war reserve stock procurement. In the preparation of the FY85 budget, however, the Marine Corps developed plans to eliminate this equipment stock shortage by end FY88, the date recommended by ROA during the FY84 budget hearings. ROA endorses the Marine Corps action and strongly recommends that Congress approve the FY85 funding requested to reduce this equipment shortfall -- $236.7 million.

Efforts must be initiated and supported to significantly reduce these shortages as soon as possible. Otherwise, while our Marine Corps Reserve has about 94 percent of the standard combat equipment for training on hand, sustainability in combat over any prolonged period is out of the question. Our Marine Reservists are well trained and ready for mobilization -- their support equipment currently is not!

ROA strongly supports Marine Corps efforts to modernize the Reserve Ground Combat Forces. The "single acquisition objective" procurement program is designed to ensure that equipment upgrading occurs in Reserve units to correspond with active counterparts. Current planning calls for the introduction over the next few years of the Mark 19 heavy machine gun; the squad automatic weapon (SAW); the M198 155mm towed howitzer; the shoulder launched multipurpose assault weapon (SMAW); the Light Armored Vehicle (LAV); and the high mobility multi-wheeled vehicle (HMMWV). We urge Congress to support these efforts and expedite this modernization process to the maximum extent feasible.

Unfortunately, the Marine Air Reserve is lagging far behind the ground forces in equipment modernization. The Fourth Marine Air

Wing is severely limited in its capability to augment and reinforce the active forces due to aging aircraft, aircraft shortages, incompatibility between active and Reserve aircraft and block obsolescence. Many Marine Air Reserve squadrons deploy to aircraft carriers upon mobilization. The Marine Reserve aircraft would suffer the same lack of equipment support as would incompatible Naval Reserve aircraft for the same reasons. Here, again, we must start moving toward new procurement of identical equipment for both the Reserve and Active Duty Marine Corps. Unfortunately, however, the Marine Corps has not initiated a horizontal integration of equipment policy in the Air Reserve program as has the Navy. Since the same rationale applies and since the Marine Corps is a part of the Navy Department, ROA does not understand the reason behind this apparent Marine Corps reluctance. Navy Secretary Lehman stated during FY85 posture hearings,

"...The Reserves must provide immediate augmentation to the active force in time of emergency across the entire spectrum of warfare. To implement that common sense policy requires providing the Reserves with equipment compatible with the active forces. For instance, instead of providing the Reserves only such equipment as it becomes obsolete and removed from the active force, there should be a parallel spectrum of new and old equipment reflected in the Reserves in the same proportion as in the active force..."

This philosophy is equally applicable to the Naval and Marine Corps Reserve. Marine Air Reserve should commence as soon as possible to replace aging and incompatible F-4s. The AV-8B Harrier should be procured for both Active and Reserve Squadrons, replacing obsolete A-4E/Fs currently in the Reserve. In General Olmstead's recent statement to the Navy Times, he stated,

"...Harriers are not in the Reserve's immediate future...There are expectations of F/A-18s at the turn of the decade."

Mr. Chairman, this is simply unsatisfactory. "Expectations" will not result in fleet compatible Marine Air squadrons. Accordingly, in the strongest possible terms, ROA urges Congress to direct the Marine Corps to implement a similar horizontal equipment integration policy in the Fourth Marine Air Wing to that already underway in the Naval Air Reserve.

Congress has previously directed establishment of two Marine Air Reserve KC-130 aerial refueler/transport squadrons and further directed expedited procurement for this purpose. Eight KC-130 aircraft were funded for the Fourth Marine Air Wing as add-ons by FY82, FY83, and FY84 Appropriations actions. None have ever been requested by the Marine Corps and none are requested in the FY85 budget, therefore still leaving a total of twelve KC-130s to be procured to meet the Congressional mandate. ROA recommends funding to procure four additional KC-130 aircraft for the Marine Air Reserve in FY83.

While there is a Marine Corps-wide critical shortage in AH-1 attack helicopters, the Reserve squadrons only possesses eight of the 24 aircraft authorized. This numerical shortfall is the same as that noted in the past two years. Absolutely no progress towards alleviating this shortage has been made. Current planning will bring the Reserve squadron to its authorized strength in the out years, but with aging AH-1J aircraft identical to the eight old AH-1Js currently on board. The urgent need is to increase the helicopter anti-armor capability to counter large numbers of mechanized and armored units which will be encountered on a high threat battlefield. Only the AH-1T (TOW) has an anti-tank capability. This is an ideal mission for the Reserve as the manpower, airfield, and support facilities are available and the AH-1T requires 50 percent less maintenance than the aging AH-1J planned for the Reserve. Accordingly, ROA recommends that procurement of AH-1T helicopters begin immediately for the Marine Air Reserve and that the entire twenty-four aircraft Reserve Squadrons be equipped with this helicopter as soon as feasible.

The Marine Corps has developed long range plans to upgrade the capabilities of the Marine Air Wing. The intent of these plans obviously is laudable. However, as noted earlier, they are far in the future and depend on too many variables. ROA strongly urges the Congress to immediately commence authorization and funding for this long overdue modernization program as the most critical need for the Marine Corps Reserve.

AIR FORCE RESERVE

The Air Force Reserve (AFR) has achieved new levels of strength and readiness during the past year. In FY83 it attained an end strength of 67,277 versus a programmed 63,736. Quality again increased with 97 percent of all non-prior service enlistees high school graduates. This is a seven percent increase over FY80. The efficiency of the Reserve recruiting program as well as the dedication and hard work of the unit commanders and supervisors is reflected in this accomplishment.

In FY85 an average Selected Reserve strength of 72,900 is requested, a 5.9 percent increase over FY84. This reflects the military personnel requirements for aircraft modernization and additional units. The AFR's mission support units increase in number from 155 in FY84 to 163 in FY85. These include medical service units, aerial port squadrons, and civil engineering units. It is gratifying to note that the Air Reserve Forces (AFR plus Air National Guard) provide nearly 25 percent of all Air Force flying and mission support capability with only 7.5 percent of the budgeted military personnel dollars ($1,455 million of $19, 255 million). It is obvious that the Air Reserve Forces are a real bargain in the total force.

The Air Force Reserve is not only cost effective, it is a combat ready, fighting force. Exercises and real world contingencies during the past year have again proved that all AFR units can be mobilized in 24 hours and deployed within 72 hours. With the exception of three units converting to newer aircraft, all equipped flying units are combat ready.

A full spectrum of meaningful missions are performed by the Air Force Reserve. As Reservists train, they often support requirements that would otherwise have to be met by the active force. In FY83 AFR equipped units flew 79,458 passengers and airdropped nearly 29,000 troops as part of their normal training missions. In addition, AFR associate C-141 and C-5 units flew more than 67,000 hours and associate aeromedical evacuation units airlifted 54,291 patients. Air Force Reserve C-141 and KC-10 associate crews were among the first to fly missions in support of U. S. military operations in Grenada, demonstrating their availability and readiness whenever required.

Among the key personnel in maintaining mission unit readiness are the Air Reserve Technicians (ARTs). These dual status individuals provide the day-to-day management and continuity of their units while performing in their civilian capacity. As military members of their units, they train other Reservists during active and inactive duty training periods. The high skill level and stability of these employees is critical in sustaining the Air Force Reserve's operational readiness. With respect to mobilization readiness, a small number of ARTs who have, through no fault of their own, been separated from their military assignments, must be continued indefinitely in their civil service positions as "status quo". In an effort to eliminate this problem, changes have been initiated to Title 5 and Title 10 U.S. Code. We urge your support to ensure that the AFR Technician Force is moblization ready at all times.

The Air Force continues to modernize the AFR with newer aircraft and equipment. This year the first equipped AFR strategic airlift unit will be established at Kelly Air Force Base, Texas when the C-130B wing converts to C-5A aircraft. Placing C-5A's in the AFR will reduce their peacetime flying cost and extend their service life, since the Reserve will fly them less than the active force would. The AFR will also continue to supply 50 percent of the aircrews and 40 percent of the maintenance force for the C-141s and C-5s in the active force fleet through the associate program.

However, on the tactical side, the picture is not as bright. While the first Air Force Reserve F-16 aircraft have been received at Hill Air Force Base, Utah, only two of the eighteen fighter conversions programmed for the Air Reserve Forces (Air Force Reserve plus Air National Guard) through FY89 are for the Air Force Reserve. We are concerned that this delayed modernization will dictate that the AFR F-4D aircraft will remain in the inventory much longer than desired. Consequently, we urge your support of funds to make several desired modifications of these F-4s so that they will remain survivable in combat in the late 80s. Last year procurement funds were appropriated for unspecified Air National Guard (ANG) equipment, but unlike the previous year, none were included for the Air Force Reserve. In view of AFR fighter equipment requirements at least as urgent as those of the Guard, we strongly recommend that there be an appropriation for this purpose in this year's bill and that the Air Force Reserve be included.

When we look at the tactical airlift force we see that the AFR C-130A fleet averages 27 years of age with no replacements scheduled until the 90s. Even then, replacement is contingent upon the timely procurement of the C-17. We support the C-17, but are concerned that program delays could leave the AFR with no replacements for 35 year old C-130As. In the past, Congress has appropriated funds for 56 C-130H add-on aircraft for the Air Feserve Forces, but only 8 of these 56 have been for the Air Force Reserve; the other 48 have gone to the Air National Guard. Currently, the AFR has more A models than the ANG and the imbalance will grow as previously procured aircraft are delivered. We believe that equity and sound operational considerations dictate that the Air Force Reserve share in any further C-130H add-on aircraft procurement.

On a more positive note, because of the special Congressional appropriation for chemical warfare defense equipment in FY83, more than 90 percent of the required equipment will be available in the AFR in FY84. We appreciate this support and recognition of the dedication of Reserve personnel by this Committee.

In summary, the Air Force Reserve's wartime mission is expanding. With your continued support in providing modern equipment and training, the AFR will continue to maintain its superb readiness and combat capability.

PORTAL TO PORTAL COVERAGE

ROA was very pleased to see that the FY 1984 Defense Authorization Bill as finally enacted into law contained limited Portal to Portal medical and dental coverage for Reservists who were injured while traveling to or from inactive duty for training.

The gap that had long existed between the protection provided active duty members and Reservists was partially closed by P.L. 98-94. However, additional Congressional attention should be given to the government's responsibilities to drilling Reservists. As you know, even with the changes enacted last year, if a Reservist becomes ill during a weekend drill the Department of Defense is not authorized, under current law, to pay for his medical care. And while, under the provisions of the recent change, a Reservist who is injured while going to or from drill is now authorized military medical care, it should be noted that no provisions were made authorizing pay and allowances during the period of hospitalization. We urge this Committee to look again at the gap in the protection provided the Reservist who becomes ill or is injured in conjunction with military duty verses that provided the active duty member. ROA recommends that legislation to close this gap be enacted into law.

HEALTH CARE PERSONNEL

ROA continues to support the granting of special pay for Reserve Component medical officers. When Congress enacted PL 96-284, which provided special pay for active duty health care professionals, the Reserve Components were not included. If such a special pay incentive program were established for the Reserve Components, we believe that it would have the same beneficial effect on recruiting and retention that PL 96-284 has had for the active duty force. Significant shortages still exist In Reserve Components health care professional recruiting and retention. Legislation that addresses the problem is needed if we are going to realistically reduce the shortages that currently exist.

RETIREMENT

ROA was pleased to see the Congress slow down last year in its restructuring of the military retirement program. The proposal to make permanent the half COLA for those under age 62 was not enacted, and thus our National Defense force structure has been saved from the ravages that this proposal would have caused.

ROA is very concerned, however, over the repeated attacks on military retired pay and the assumption that the current retirement program can be changed without having an adverse impact on our military readiness capabilities. It should be noted that the Army has found that retirement remains the most important factor in careerist reenlistment discussions. As the primary careerist reenlistment factor, retirement has become even more important in the last few years. The retirement system is also becoming increasingly important in first term reenlistment discussions. Retirement increased from 8.2 percent in August 1981 as the primary first term reenlistment factor to 14.3 percent in February 1983. This represents a 75 percent growth in only an 18 month period.

Regarding the common misconception over the amount of retired pay individuals are receiving, the Honorable Tidal W. McCoy, Assistant Secretary of the Air Force, (Manpower, Reserve Affairs, and Installations) pointed out at a Committee hearing last year that 64 percent of DOD non-disability retirees get less than the poverty level of a family of four ($9,680.00), and about the same as many families receiving welfare assistance. And this is after spending a minimum of 20 years in the service of their country!

It is not necessary to remind this Committee that military retirement is earned and should not be confused with the non-earned entitlements that have been growing at such a high rate over the last few decades. As Secretary McCoy also pointed out, in terms of Gross National Product, retirement for all members of the armed forces is and will remain at about five-tenths of one percent of our Gross National Product for the foreseeable future. The Congressional Budget Office, in its recent analysis of the President's FY 1985 budget, states that all entitlements amounted to only 5.4 percent of the GNP in 1965. However, due to rapid growth in the 1960's and 1970's, entitlements had increased to 12.4 percent of GNP by 1983. During this same period of rapid growth many non-earned entitlements were added. The growth of these non-earned entitlements, often referred to as "means-tested" entitlements, should not be used as an excuse to reduce the purchasing power of military retirees who have an earned entitlement through long years of service.

ROA is concerned that those who do not understand nor appreciate the sacrifices involved in military service will lead a stampede that could result in major structural changes in the military retirement program. It is our belief that any major change that reduces the value of the military lifestream earning package will create the need for additional recruiting and training costs which will more than offset the dollars saved by changing the retirement program.

This Nation must do nothing that breaks faith with those who have already served or destroys the confidence of those who are now serving. As Senator Strom Thurmond, a former National President of ROA, stated on the floor of the Senate last year, regarding proposals to reduce military retirement pay, "We must restore the confidence of our military personnel in our government. The continued erosion of this faith at the expense of our national security must cease. Dedication is being stretched to its limits. Many in the military community active and retired already believe that Congress has been acting in bad faith with them. The greatest danger to our society posed by further cuts in military retirement and related benefits, is that service people more and more are concluding that their Government no longer places great value on their service, dedication and loyalty."

COMMISSARY PRIVILEGES

ROA was very pleased to see Congress direct the Department of Defense to conduct a test program in which a limited number of Selected Reservists would be allowed, at their convienence, up to 14 commissary visits each year. The test, which began in January and will end in December of this year, is certainly a step in the right direction and we look forward to seeing the results of the test. Hopefully the test will show that the increase in customers can be handled without adversly impacting upon those who are otherwise authorized commissary privileges and that this program can be expanded to provide all members of the Selected Reserve the opportunity to exercise their commissary privilages in the same manner that they currently use their post exchange privileges.

In addition, ROA believes that exchange and commissary privileges should not be lost to those who are transferred to the retired reserve after completing 20 or more qualifying years of service. Reservists in this category remain in a limbo status until they reach age 60 and become entitled to pay and other benefits associated with military retirement. It would be a low cost benefit to extend post exchange and commissary privileges to these pre-age 60 reserve retirees and would serve as a valuable retention tool for the Reserve Components.

GI BILL

ROA continues to support the need for a new GI bill. We view this as a valid means of improving both the quality of recruits and the ability to retain needed personnel in the active and reserve forces. As the economy continues to improve, problems in recruiting, particularly among the higher mental categories, will develop. A new GI bill will assist our armed forces, both active and reserve, to recruit and retain qualified personnel they require to meet our Nation's globel commitments. As Defense Secretary, Casper Weinburger said (in a report to Congress regarding the need to extend the December 31, 1989 GI bill deadline for Vietnam era veterans), "Carefully designed education incentives are an effective means of attracting high quality personnel to military service and retaining them." The Reserve Officers Association believes Secretary Weinburger is correct in this assessment. We hope that the Congress will take action this year to enact legislation such as that introduced by Mr. Montgomery, HR 1400, which recognizes the importance of providing an educational incentive to both the active and the reserve components.

Thank you for the opportunity to appear before this Committee. Your support for the men and women in uniform, Active and Reserve, is noteworthy and sincerely appreciated.

NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

STATEMENT OF MAJ. GEN. FRANCIS S. GREENLIEF, NATIONAL GUARD OF THE UNITED STATES, RETIRED, EXECUTIVE VICE PRESIDENT, NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

IMPROVEMENT OF NATIONAL GUARD COMBAT READINESS

Senator STEVENS. We do now have a General, General Greenlief. Major General Greenleaf is executive vice president of the National Guard Association. I am glad to have you back, General.

General GREENLIEF. Thank you, Mr. Chairman.

Mr. Chairman, Senator Rudman, I am pleased by the opportunity to appear before you to discuss the subject of appropriations to improve the combat readiness of the Army and Air National Guard. I will briefly discuss personnel, training, full-time support personnel, wartime support, training devices, simulators, and equipment.

PERSONNEL

The Army Guard reached an end strength of 417,000 in fiscal year 1983 and is programed to reach an end strength of 433,000 in fiscal year 1984. However, in December 1983 the Army Guard strength had fallen to 413,000. The Army Guard had programed to obtain an end strength of almost 500,000 by end fiscal year 1989.

The Air Guard is programed to grow at about a rate of 2,000 personnel per year for the next 5 years, so as to attain an end strength in excess of 116,000 by end fiscal year 1989.

RETIREMENT PAY ACCRUAL ACCOUNTING

It is our view that these strength levels cannot be attained unless an across-the-board incentive such as GI bill educational assistance and the more selective high skill technical training legislation is enacted. I have for the record an excerpt that addresses the overstatement of Guard and Reserve retirement accrual costs and suggests the funding of GI bill educational assistance with this overfunding. And the overfunding is on the order of $1 billion. I submit for the record this morning an excerpt from a study which explains the overstated costs in some detail.

[The information follows:]

EXCERPTS FROM

MILITARY RETIREMENT PAY ACCRUAL ACCOUNTING

INTRODUCTION

General. Public Law 98-94, signed on September 24, 1983, places the military retirement system on an accrual funding basis effective 1 October 1984. Prior to the passage of the law, military retirement pay was funded on a year-to-year basis from current appropriations.

The purpose of this report is to:

- examine the background surrounding the passage of the accrual funding law,
- describe the funding environment created by new law,
- explain the mechanism of determining the normal cost of retirement pay,
- assess the impact of the law on the Reserve and National Guard pay accounts, and
- identify factors which may be useful in justifying a separate normal cost for reserve and active duty retirement pay.

Background. The roots of the military retirement system can be traced back to the earliest days of the Republic. The Journals of the Continental Congress[1] reflect the enactment of a disability retirement pay for Revolutionary War service members. It provided for up to one-half pay for life. With a single known exception, the retirement system has been funded on a year to year basis out of current appropriations. The exception was the Navy retirement system which, until 1935, had a pension fund which provided for payments to persons retired for disability whenever there was a sufficient amount in the fund. The income to the fund consisted of the government's share of the proceeds from the sale of enemy or pirate ships captured by the Navy, and from interest received on fund investments. This fund was abolished in 1935, and the entire military retirement system moved to an unfunded or "pay-as-you-go" basis.

The enactment of P.L. 98-94 came after a decade of study of the military retirement system. The Defense Manpower Commission Study of 1976 and the President's Commission on Military Compensation of 1978 both recommended that DoD convert to accrual accounting for the retirement pay system. These recommendations were consistent with the passage of the Employees Retirement Income Security Act of 1976 (the ERISA Law) which mandated that private pension plans be fully funded and established strict controls to ensure this.

Funding. The method of funding a retirement system can be either intergenerational (pay-as-you-go) or advance funding. The "de facto" practice for funding all Federal Government retirement systems (except, now, the military) is a pay-as-you-go method regardless of any Federal Trust Fund (which is, in effect, an internal government I.O.U.). On the other hand, the Federal Government requires the private sector to use the advance funding approach for a very good reason; i.e., that a given organization may go out of business. Governments in general, and the Federal Government in particular, would not terminate until the Government itself disappears and thus payments are generally assured. The unfunded liability of the Military Retirement Pay System will be about $564.5 billion on 1 October 1984.

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[1] Journals of the Continental Congress 1774-1789 (Vol V. 1776, June 5 - October 8), GPO, Washington, D.C., 1906.

Under the accrual funding system, the DoD is required to contribute 50.7% (current normal cost percentage) of the total basic pay each fiscal year into a Federal trust fund. In FY1985 the normal cost (DoD budget outlay) is 17.1 billion dollars.

The Budget deficit is not impacted by the accrual funding system of military retirement costs. The added cost of accrual accounting in any fiscal year is both a general revenue expenditure and, at the same time, a retirement fund income. The two transactions cancel each other out with no effect on the deficit and thus do not affect taxes. To complete the circle, the Treasury would increase the amount of bonds to meet this extra cost and the Federal accrual fund would purchase bonds of equivalent value. The total privately-held debt would not change. However, the Federal total debt would grow and could require increasing the statutory borrowing authority.

Implications. Under the retired pay accrual concept, the Defense budget will no longer reflect payments to retirees. These payments are made from a military retirement and disability fund under the Income Security function of the Federal budget. The DoD Budget only includes the accruing liability for military personnel not yet retired and are separately identified and included in the individual Service Military Personnel budget requests. The net affect of the legislation is to remove budget authority outlay dollars from a single line item in the defense budget to an account (Income Security Function 602) administered by the Secretary of the Treasury. The services, including the Reserve and Guard, now include accrual amounts (currently 50.7% of basic pay line) in their respective military personnel accounts. These amounts will be transfered to the special trust fund monthly from the services as the normal cost (50.7%) of whatever was paid out as basic pay each month. Therefore:

- To the extent that the Military Departments have to seek reprogramming into basic pay (for greater than anticipated retention, over-budget accessions, or whatever) the additional accrual cost must also be taken into account (i.e., they will need to include additional accrual costs as well).

- Conversely, under-execution in manyears could also generate assets from the budgeted accrual costs (unless a prohibition is placed on use of accrual changes for purposes other than making payments to the trust fund). If such a prohibition is imposed, clarification is needed as to whether the funds simply lapse to the General Fund or whether they would go into the trust fund.

- When budgeting for a military pay raise in the Pay Contingency Account, the normal cost accrual charge (50.7%) must be added to the contingency amount. Normal cost accrual charges will be established once each year. Any changes resulting from actuarial gains or losses or benefit structure changes will be reflected in the following year's normal cost percentage figure.

The net effect of accrual funding is to decrease DOD budget authority outlays with no change to government-wide outlays. Budget authority government-wide would increase by the difference in amounts appropriated (accrual plus unfunded liabilities) and paid to retirees, and additional interest obligations. This increase in budget authority does not represent additional costs to the government, but rather provides for the recognition that a liability exists and would have continued to grow without the legislation.

Description of Changes Resulting from P.L. 98-94

The legislation to place the military retirement system on an actuarially funded aggregate entry-age-normal cost system was included in the Defense Authorization Bill for Fiscal Year 1984 (P.L. 98-94). The law impacts the DoD budget, beginning with the FY1985 budget. The following changes were mandated by the law:

- The military retirement system will no longer be unfunded after 10 October 1984. A fund is to be established in the Treasury Department to receive normal cost payments each month from DoD. The payments will amortize the unfunded liabilities of military retirement pay each year from Treasury. It also accrues interest earnings. Payments to retirees and survivors will be made from the fund.

- The normal cost amount that DoD will pay into the fund at the end of each month is equal to the normal cost percentage times the total amount of basic pay paid that month for members of the armed forces (other than Coast Guard) on active duty or in the Selected Reserve. The normal cost percentage is defined as a single level percentage of basic pay derived using the aggregate entry-age normal cost method. This percentage shall be determined by DoD in actuarial valuations using assumptions that are approved by an independent Board of Actuaries. The normal cost percentage is currently 50.7%.

- DoD will no longer budget for retiree and survivor payments during the year, only for normal cost payments. If the current normal cost percentage remains unchanged, each Service will have to project basic pay for active duty and selected reservists and multiply it by 50.7% to arrive at their retired pay appropriation. Using the President's Budget Assumptions and assuming that the active duty and Selected Reserve forces remain the same size as found on 1 October 1982, projections indicate that the FY1985 DoD retired appropriation would drop by $1.1 billion.

- A Board of Actuaries is to be established in DoD to be appointed by the President to administer the system. They will be members of the Society of Actuaries and will serve fifteen year terms. The Board will determine the original unfunded liability and amortization schedule to be used by Treasury. Since the valuation process is highly technical, lengthy and thoroughly done by DoD under Chapter 95 of Title 31, the Board will not attempt to duplicate the process but will supervise, advise and use the DoD Office of the Actuary to help produce their report. They will report annually to the Secretary of

Defense on the status of the fund and at least every four years on the valuation. DoD actuarial assumptions (economic and demographic) in the aggregate must be approved by the Board.

- DoD will calculate the actuarial gain and loss each year and notify Treasury of any new amortization payments needed. The Board will decide upon amortization methods.

Projection of DoD Retired Pay Budget and Fund Under Accrual Accounting

DoD actuaries project that the unfunded liability of the military retirement system will be $564.5 billion by 1 Oct 1984. If the Board of Actuaries amortize this amount over 75 years as a level percentage of basic pay, the fund would progress as outlined in the attached table. The column labeled "Normal Cost" would be the only item in the DoD budget. (Currently, DoD budgets for the column labeled "Total Estimated Outlays" -- payments to retirees and survivors.) The Treasury Department will place the "Payment on the Unfunded" into the fund at the beginning of each year as well as any interest earnings. Payments to retirees and survivors will be made from the fund.

Normal Cost Sensitivity

Since DoD's budget will now reflect only the normal cost, a brief analysis of it's sensitivity is described below. The annual normal cost is the product of the single level normal cost percentage and basic pay for the year. The percentage will never change during the year but may change from year to year. Things that could affect this percentage include changes in:

- Actuarial economic assumptions. Since these are long-term assumptions they rarely change from year to year.
- Actuarial demographic assumptions. These include rates of retiring, dying, disability, divorce, withdrawal, etc. A change in trend over several years would warrant change in the normal cost.
- Internal promotion pay increases. A variable basic pay increase may change these rates but a uniform increase would not. The variable basic pay increase in October 1981 increased the normal cost percentage by .4%.
- Benefit increases that apply to new entrants. The FY1980 normal cost percentage decreased by 5% due to the change which moved new entrants to a high-three retired pay calculation instead of final basic pay.

Things that could not affect this percentage include changes in:

- Retired benefits that would not apply to new entrants. The three year half-COLA change found in the 1982 Reconciliation Act did not change the normal cost percentage.
- A uniform basic pay increase.
- An increase in force size.

Since normal cost is calculated by multiplying the normal cost percentage by basic pay, an increase in force size would increase the retired appropriation since total basic pay would increase.

Normal Cost Calculation

General. A valid comparison of the cost of any retirement benefit requires that calculations be done using the same funding method, at the same point in time, and the same assumptions (economic, demographic, etc.) for all plans. All Federal retirement plans use a AGGREGATE ENTRY AGE NORMAL COST method for the calculation or retirement benefit costs expressed as a percentage of the payroll costs. The ratio of present value of predicted benefits to present value of predicted salaries is the normal cost percentage of payroll of the benefits.

Calculation. To calculate an entry-age normal cost, the future experience of a group of new Service entrants (or employees) is predicted. Their continuation rates, disability rates, normal retirement rates, death rates, survivorship characteristics, and salaries are predicted using the appropriate historical data. Recognition of the demographic conditions as well as the choice of specific economic and interest rate assumptions is critical. A valid comparison must superimpose the set of the appropriate assumptions and conditions of any system being compared to each of the other systems. This measures the cost of each system in the context of the system chosen as the common ruler.

The present value of the predicted yearly salaries and of the predicted yearly benefits are then calculated using an appropriate rate of interest.

$$\text{The ratio:}\quad \frac{\text{present value of predicted benefits}}{\text{present value of predicted salaries}}$$

represents the percentage normal cost of the benefits. It is a percentage of payroll for the new employee group that must be "set aside" to fully fund their retirement benefit. It can be viewed as the aggregate future value of benefits to be earned by the group, as they relate to the aggregate future salaries to be paid to the group during the employment period. It can also be viewed as the percentage of predicted payroll which, if laid aside in an interest bearing fund, would earn interest such that the accumulated principal and interest would just pay off the future benefits as they are predicted to come due until the last beneficiary dies. If an employer pays the annual normal cost and amortizes any existing unfunded liability, the cost for each generation of workers will be funded before the generation retires or dies.

The new law specifies that the normal cost of military retirement (that is, the cost of a self-supporting retirement system) be applied in a uniform manner across the basic payline. Thus, there is no provision for a distinction in the normal cost of retirement among actuarially distinct groups such as officers and enlisted cohorts or active and reserve components.

Implications for the Reserve and Guard Forces

P.L. 98-94 mandates a uniform percentage for normal costs of the entire military retirement system, which is consistent with typical actuarial procedure. Consequently, subgroups such as officers vs. enlisteds, active vs. reserve, men vs. women, Army vs. Navy, etc., are all combined to obtain one normal cost. All groups are represented in the present value of future benefits as well as in the present value of future basic pay, and the resulting normal cost is charged to all. The weighting of the numbers of people and level of timing of benefits and pay of each subgroup plays a large role in the uniform normal cost. For example, even though enlisted benefits, pay and retention levels are all lower than those of officers, the uniform normal cost is weighted more heavily toweard enlisted than officers due to the fact that more than 90% of an entering active duty cohort is comprised of enlisted personnel. The FY1982 normal cost of the military retirement system was 50.7% of basic pay. Separately, officers had a normal cost of 75.5% and enlisted 40.8%.

Similarly, separating the reserve retirement system from the active will produce two separate normal costs. The FY1982 data used in calculating the normal cost produced the results shown in Table I. While the uniform normal cost for the system was 50.7%, the active duty normal cost was 52.0% and the reserve normal cost was 8.1%.

Table I
FY1982 Valuation Normal Cost Calculations
($ in thousands)

I. Present Value of Future Basic Pay

a. Active	$ 8,094,572
b. Reserve	241,614
c. Total	$ 8,336,186

II. Present Value of Future Benefits

a. Active	$ 4,208,003
b. Reserve	19,586
c. Total	$ 4,227,589

Total normal cost = IIc/Ic. = .50714
Active duty only = IIa/Ia = .51985
*Reserve duty only = IIb/Ib = .08106

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*Full time active duty reservists are in the active duty only calculations.

These calculations assume that the active duty normal cost accrual will be used for any reservist on active duty status. All prior service credit used toward reserve retirement is reflected in the reserve normal cost.

It is easy to see why the percentages are not additive algebraically: (a+b)/(c+d) has never equaled (a/c)+(b/d). Conceptually, in the uniform normal cost the benefits are being amortized over a career which is weighted heavily toward the 20 year active duty retirement but expanded a little by the small weight that reserve retirement plays. Separately, the active duty benefits are amortized over a slightly shorter period of time (giving a slightly higher normal cost) and the reserve benefits are amortized over a much longer period of time, producing a much smaller normal cost. If the total FY1985 basic payroll equals $32.1 billion ($29.5 billion active; $2.6 billion reserve) then the FY1985 accrual payment will equal $16.3 billion using the uniform normal cost as stated under law. (Note that FY1982 normal costs are being used as an example). If two separate normal costs were used, the accruals would add to $15.5 billion (see Table II), due to the longer implicit amortization period for reservists.

Table II

Theoretical Accrual Payment Analysis for FY1985
($ in thousands)

I. Estimated basic payroll

a. Active	$ 29,452,616
b. Reserve	2,611,560
c. Total	$ 31,064,176

II. Estimated normal cost accrual

$32,064,176 times .507 = $16,256,537

III. Estimated separate normal cost accruals

a. Active (.520 times $29,452,616) = $15,315,360
b. Reserve (.081 times $2,611,560) = $ 211,536
$15,526,896

Note: Normal costs are from FY1982 valuation. Full time active duty reservists are classified and charged as active duty members.

The issue of using different normal costs for different categories of accessions is one of policy, feasibility, accuracy, and standardization.

Standardization. It is not standard actuarial procedure in other public and private systems to have more than one normal cost. The concept is the typical group insurance concept -- one price for all, where some individuals are subsidized by others.

Guard and Reserve Implications. One of the major problems in projecting military retirement benefits is projecting reserve retirement benefits. The Reserve Component Common Personnel Data System (RCCPDS) is a relatively new data base which has been used mainly for manpower purposes. It was not designed to be a data base for analytical purposes. Consequently, many important analytical elements are not on the system (basic pay, points accumulated, non-Selected Reserve losses) and others have very low credibility (age, twenty year letter indicator). Major changes will have to be taken in the reporting, collecting, and editing of data on this file before confidence can be developed. With little or no data, the DoD Office of the Actuary is forced to make many estimates involving numbers of people, basic pay and point accumulation in the projection of reserve retired liabilities. Since the weight of the reserves is small, a large error in reserve retirement projections would have little impact on the accuracy of a uniform normal cost and the DoD budget. However, the impact of such an error in a separate reserve normal cost would be significant. For example, suppose the projected liabilities of reservists were underestimated by 13%. The uniform normal cost would remain at 50.7% with no increase to the DoD budget. However, under a separate accrual percentage system, such a change would increase the reserve normal cost form 8.1% to 9.1%, increasing the FY1985 DoD budget by $26 million. It would be hard to justify moving to a separate reserve accrual normal costs before significant steps are taken toward collecting better data.

Policy Implications. The main reason for moving to accrual accounting was to show current costs of manpower in the Defense budget. It was felt that current retirement costs resulting from policy decisions in the past should not be part of the budget. Conversely, it was decided by OSD that policy decisions made today (increased force size, basic pay increases, etc.) that will impact retirement costs twenty years out should be in today's budget. Under the new law, the total cost of manpower decision is now available to policymakers. Over time, after careful analysis of all aspects of this new system, DoD may want to break from the traditional 'group insurance' concept and fund different subgroups separately.

TRAINING

Although the National Guard Bureau has developed many new and innovative training opportunities for training selected Army guardsmen, the great majority of Army Guard personnel have only the equivalent of 39 training days a year in which to attain and maintain essentially the same training levels expected of active Army soldiers.

In addition to the limitations placed on training effectiveness by the shortage of time, severe limitations on training effectiveness occur because of shortages of modern equipment in which to train.

FULL-TIME SUPPORT PERSONNEL

Full-time support personnel—that is, National Guard technicians and active Guard and Reserve, the so-called AGR personnel—are essential to the production of combat readiness. A table in my full statement reflects the shortage of full-time support personnel that will exist in the Army and Air Guard at end fiscal year 1985, and that shortage is 7,514 full-time support personnel.

The fiscal year 1985 budget requests an increase of 9,951 AGR personnel for the Army Guard and an increase of 1,309 AGR personnel for the Air Guard. We ask that the full AGR increase be authorized and funded. In addition, we strongly recommend that this subcommittee authorize an increase in the Army Guard and Air Guard technician programs so as to fill the remaining shortage.

WARTIME SUPPORT

Both the Army Guard and the Air Guard are adequately supported for the conduct of peacetime training. The fiscal year 1985 budget request continues that level of support.

However, the Army Guard is seriously deficient in support required for wartime. We estimate an unfinanced requirement of more than $500 million for Army Guard organization, clothing and equipment. The addition of $30 million for the procurement organization, clothing and equipment for the Army Guard would reduce existing shortages and provide items which are currently critical to the readiness of Army Guard units.

There may be a limited parts load list [PIL] stockage of repair parts for some very early deploying units of the Army Guard, but there is no PIL for the rest of the more than two-thirds of the Army Guard force that is scheduled to deploy by D plus 60, and there is no PIL anywhere in the Army to support the wartime operations of the OH-6 Scout helicopter. There is no stock of parts in the Army Guard, nor in the Active Army, to support these helicopters in combat.

We estimate the cost of a war reserve PIL for the Army Guard OH-6 fleet to be about $20 million.

There are two operation and maintenance funded Air Guard items which we expect will require additional authorization and funding: Installation of the ARN-101 digital avionics systems in the 155 RF-4C's of the Air Guard, and installation of the JT3D engines on the last eight KC-135's of our strategic tanker fleet.

TRAINING DEVICES AND SIMULATORS

Modern sophisticated weapons are often referred to as force multipliers. Modern sophisticated state-of-the-art training devices and simulators can be training mulitipliers. The ability of the Army Guard to train its units to the required levels of combat and combat readiness is severely limited by shortages of time, equipment, facilities, and the high cost of munitions. But since Army guardsmen are expected to be trained at least as well as the Active Forces, we must have even better training support than the Active Forces.

EQUIPMENT

Mr. Chairman, the Army and the Air Force have made truly great strides in their programs to fully equip the Army and Air Guard with modern deployable combat capable equipment. But great progress was needed and continues to be needed.

Rather than detail a long list of requirements, in the body of the statement I have attached factsheets on each of the items or equipment, Army and Air, which we consider to be our most critical shortages.

In summary, Mr. Chairman, we urge that this subcommittee recommend funds for the support of the improvements of combat readiness of the National Guard as is included in the fiscal year 1985 defense authorization bill.

Mr. Chairman and Senator Rudman, I have appreciated this opportunity to appear before your subcommittee to present the views of the National Guard Association on the subject of appropriations to improve the combat readiness of the Army and Air Guard.

I am aware that it may appear that we have asked much. It is our view that much is asked of the National Guard. Since the Guard today is expected to fight when, where, and at least as well as the Regulars, we expect to be manned, trained, an equipped at least as well as the Regulars.

I thank you.

[The prepared statement of General Greenlief follows:]

NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

PREPARED STATEMENT

MAJOR GENERAL FRANCIS S. GREENLIEF (RET.)

EXECUTIVE VICE PRESIDENT

Mr. Chairman, and members of the subcommittee, I am pleased by the opportunity to appear before you to discuss the subject of appropriations to improve the combat readiness of the Army and Air National Guard. I will briefly discuss the problem of producing an acceptable level of readiness in the current environment, and will then identify specific fixes which our Association believes should be made.

Based upon statistics which we believe to be facts, the threat to our national security continues to be high and increasing. The Warsaw Pact Forces currently outnumber NATO Forces whether measured in terms of military personnel, combat units, modern weaponry, or a combination of all three. Their weapons production rates exceed ours. One of the ways to offset their advantage is to make our units readier.

While our national security is threatened by the strength and threatening posture of our potential adversaries, our national economy is threatened by an out-of-control fiscal deficit. As a result, the Congress, being concerned about both serious threats has, been looking more and more to the National Guard and Reserves as a way of meeting both threats. Several sessions of the Congress have emphasized placing increased reliance on the Guard and Reserves.

During the last session of the Congress our Association was specifically asked to provide its views on the capability of the National Guard to accept increased national defense responsibilities. As a starting point of this statement, the following summary of last year's testimony is provided:

- The NGAUS does not recommend any reduction of the active Army and Air Force. We believe both forces are smaller than needed in the face of the Russian threat.

- The NGAUS does not recommend an expanded force structure for the National Guard until a solid commitment is made to fully equip the current structure.
- We believe that the Army National Guard already has been tasked to produce more combat readiness at earlier times than is possible because of resource shortages. By that I mean manpower, training time, and equipment. Any proposal to increase reliance on the Army Guard must consider these shortages.
- The Air National Guard, while currently able to perform its mission with assigned resources, is limited by some antiquated aircraft and obsolete communications gear. Thus, we believe the Air National Guard cannot increase its force structure or roles and missions without being provided more modern deployable equipment. The Air National Guard does have significant capability to increase the combat capability and effectiveness of its current force structure by robusting (increasing the Primary Aircraft Authorization (PAA)) its existing units.
- Having said the above, the Army and Air National Guard can improve the readiness of the existing National Guard force structure, and increase its force structure, if the necessary resources are provided.
- Whether or not active force structure can safely be reduced by placing new units, roles, or missions in the National Guard and Reserves depends on more factors than the ability of the Guard and Reserve leaders to produce the necessary readiness.

The Army is, in its planning, increasing its reliance on the ARNG. A ninth division is now being created in the ARNG and a tenth division is planned. The creation of these two new divisions does not really add much unit structure to the ARNG. Rather, the conversion of separate brigades into divisions makes better usage of existing units and provides more combat capability for the Army.

The Air Force has been increasing the PAA of tactical fighter units from 18 to 24. This provides a very real increase in Air Force combat power and produces this additional capability at a relatively low cost.

In our view, rapid deployment is any deployment that is expected to occur within the first 60 days of war, or within 60 days after a decision to deploy is made. More than two-thirds of the ARNG and all of the ANG, with the exception of air defense units, are scheduled to deploy within 60 days.

To be truly combat ready a unit must have its full requirement of trained personnel present for duty. Those personnel must have the required organizational clothing and equipment. The unit must have its full complement of modern equipment, and that equipment must be backed up by the necessary spares and maintenance support to keep the equipment operational for extended usage.

Most ARNG units are short of trained personnel. Training time for the personnel assigned is short. Full-time personnel to plan, conduct, and support training are short. Equipment on which to train is short, and training devices to offset the shortage of time and equipment are especially short. There is a shortage of organizational clothing and equipment for the personnel who are present for duty. There is a shortage of modern deployable equipment including some critical weapons systems, and there is shortage of war reserves of parts and supplies for the maintenance of unit equipment for extended periods of service.

Most Air National Guard units are at near wartime manning levels, and personnel skill levels are high. There is a shortage of full-time personnel to maintain the growing numbers of more modern aircraft being issued to ANG units as units convert to more modern weapons systems. An increase in Operation and Maintenance funds is required to install modern JT-3D engines and ARN-101 digital avionics systems which are expected to be authorized by the FY85 Procurement Authorization Act.

PERSONNEL

The ARNG reached an end strength of 417,000 at end FY83, and is programmed to attain an end strength of 433,000 at end FY84. However, at end December 1983 the ARNG strength had fallen to 413,000. The ARNG is programmed to attain an end strength of almost 500,000 at end FY89.

The ANG is programmed to grow at the rate of about 2,000 personnel per year for the next five years so as to attain an end strength in excess of 116,000 by FY89.

It is our view that these strength levels cannot be attained unless an "across-the-board" incentive such "G.I. Bill" educational assistance and more selective "high skill technical training" legislation is enacted.

Since the newly-mandated "Retirement Accrual Accounts" which are included in the FY85 Personnel Appropriations are computed using the same factor for active force personnel as is used for inactive Guard and Reserve personnel, reserve retirement accrual costs are overstated. We believe the overstatement for the total of all National Guard and Reserve Pay Accounts is on the order of $1 billion for FY85.

I believe the estimated first year costs of H.R. 1400, the so-called "G.I. Bill" educational assistance legislation, is about $500 million. It would therefore seem that the "G.I. Bill" could be funded for about half the cost of the overstatement of reserve retirement accrual costs.

TRAINING

Although the National Guard Bureau has developed many new and innovative training opportunities for training selected Army Guardsmen, the great majority of Army Guard personnel have only the equivalent of 39 training days a year in which to attain and maintain essentially the same training levels expected of active Army soldiers. In addition to the limitations placed on training effectiveness by the shortage of time, severe limitations on training effectiveness occur because of shortages of modern equipment on which to train.

Personnel who on mobilization would be required to operate or maintain sophisticated equipment obviously must have the opportunity to train on that equipment before mobilization, or at least they must be provided with realistic training devices and simulators.

Some weapons are too costly to fire, e.g., TOW missiles. Some weapons require ranges not readily available to Guard and Reserve units. Some weapons and vehicles require vast wide open spaces in which to conduct training. But often such areas cannot be reached on weekends because of excessive travel distances, or because of inclement weather on the drill weekend.

Improved training readiness demands a quantum improvement in the availability of training devices with emphasis on modern state-of-the-art simulators, video disc and microprocessor techniques.

FULL-TIME SUPPORT PERSONNEL

Full-time support personnel, National Guard Technicians and Active Guard and Reserve (AGR), personnel are essential to the production of combat readiness. They perform day-to-day those functions which must be performed if a unit is to exist, i.e., personnel administration, supply keeping and accounting, and maintenance, and if a unit is to make maximum utilization of its very limited training time, there must be full-time personnel to plan for, conduct, support and supervise training.

The following table reflects the shortage of full-time support personnel that will exist in the Army and Air National Guard at end FY85:

	ARNG	ANG
DoD Validated Requirement	54,177	31,197
NG Technicians Authorized	22,557	21,846
AGR Authorized	26,583	6,874
Shortage	5,037	2,477

The FY78 DoD Appropriations Act directed the conduct of a test of full-time military manning (FTM) as a more cost-effective way of providing full-time support personnel. This test lead to a program of converting National Guard technician spaces to FTM (now AGR) positions. The conversion program has been terminated by this subcommittee in concert with your counterpart subcommittee in the House.

In place today in both the ARNG and the ANG there are a substantial number of both National Guard technician and AGR personnel. The chart shown above demonstrates the mix of these two categories of full-time support personnel. Although the argument continues as to which program is the more cost effective, the NGAUS does not enter that disagreement. We insist that the full complement of required full-time support personnel is an essential ingredient to the attainment of the full potential of combat readiness. Since the Congress appears to want a mix of technicians and AGR, we accept the personnel management problem which this creates, but we want the numbers of personnel required.

Last year, the Appropriations Act reduced the requested growth in the AGR program by half and then added back an equal number of technicians. The FY85 budget request provides an increase of 9,951 AGR personnel for the ARNG and an increase of 1,309 AGR personnel for the ANG. We ask that the full AGR increase be authorized and funded. In addition, we strongly recommend that this subcommittee authorize an increase in the ARNG and ANG technician programs of a number of technicians equal to the increased number of AGR personnel requested in the FY85 budget request. This action can produce a quantum increase in both materiel and training readiness.

WARTIME SUPPORT

Both the ARNG and ANG are adequately supported for the conduct of peacetime training. The FY85 budget request continues that level of support. However, the ARNG is seriously deficient in support required for wartime. Generally speaking, the ANG is well prepared for the accelerated and extended mission performance rates required in wartime. Deficiencies do exist, but they are generally the deficiencies that exist in the total Air Force.

We estimate an unfinanced requirement of more than $500 million for ARNG Organization Clothing and Equipment. Shortages include office machines and furniture, food service equipment, cold weather clothing and equipment, chemical defense equipment, personal armor, equipment, camouflage screens and support sets, and stock funded MTOE, TDA, and CTA authorized equipment which includes thousands of expendable items.

The addition of $30 million for the procurement of organizational clothing and equipment for the ARNG would reduce existing shortages and provide items critical to the readiness of ARNG units. Our judgment is that the $30 million could best be used to satisfy the following known requirements:

- Ten thousand sets of personal armor systems ground troop (PASGT) including the Kevlar helmet and Kevlar body armor. $3 million
- Chemical Defense Equipment which includes 50,000 new Battle Dress Overgarments (BDO) and other expendable chemical defense training items. $10 million
- Cold Weather Clothing and Equipment (CWCE) for early deploying units contingency and training stockage. $5 million
- Modified Table of Equipment (MTOE) items for earlier deploying units including tentage, tool kits, fire extinguishers, compasses, binoculars, dental, medical and surgical sets. $12 million

Although the FY85 budget request does in general terms adequately support the training it is intended to support, we do estimate a repair parts shortage of $30 million in FY85.

There may be a limited Parts Load List (PLL) stockage of repair parts for some very early deploying units of the ARNG but there is no PLL for the more than two-thirds of the ARNG force that is scheduled to deploy by D+60 days. Perhaps the War Reserves Stocks of the Army could satisfy the ARNG requirement. But there is no PLL anywhere in the Army to support the wartime operation of the OH-6 scout helicopter.

The more than 400 OH-6 scout helicopters of the ARNG are isolated in ARNG units. That is, there are no OH-6 helicopters in the active Army. There is no stock of parts in the ARNG nor in the active Army to support those helicopters in combat. They are therefore not deployable. What are those ARNG combat units which depend on the outstanding capabilities of the OH-6 expected to do for scout helicopter support in combat since their organic support helicopters cannot be supported in combat? We estimate the cost of a War Reserve PLL for the ARNG OH-6 fleet to be $20 million.

Although the ANG is well supported and equipped with Organizational Clothing and Equipment, and the War Reserve Spares Kits (WRSK) of the Air National Guard are generally maintained at fill rates in excess of 98 percent, there are two Operations and Maintenance funded ANG items which we expect will require additional authorization and funding.

- Installation of ARN-101 Digital Avionics Systems. If the Congress authorizes the procurement of 40 sets of ARN-101s as we expect they will, an additional $6.8 million will be needed in the ANG O&M Appropriations to install those badly needed systems.
- Installation of JT3D Engines. The Congress in earlier years authorized and funded the reengining of all but eight of the ANG KC-135 fleet. We expect that this Congress will authorize and fund the procurement of donor aircraft to permit the installation of JT-3D engines on the last eight ANG KC-135s. Installation costs to be funded by the ANG O&M Appropriation would be $16.24 million.

TRAINING DEVICES AND SIMULATORS

Generally speaking, the aircraft of the ANG are adequately supported with simulators. Simulators and training devices adequate for the needs of the ARNG are not provided. In just recent weeks the Chief of Staff of the Army became aware of the shortages of training devices and simulators in the ARNG and the Chief of Staff took prompt and positive action. I am told that he diverted $15 million worth of training devices originally intended for use by the active Army to the ARNG. Further, I am advised that the Army is working to increase training device and simulator support for the ARNG in future years.

Modern sophisticated weapons are often referred to as force multipliers. Modern sophisticated state-of-the-art training devices and simulators can be training multipliers.

The ability of the ARNG to train its units to required levels of combat readiness is severely limited by the shortages of time, equipment, facilities (e.g., ranges and outdoor training areas), and the high cost of munitions. Since the National Guard has a much more difficult training task, they need and deserve the training multiplier effect of training devices and simulators even more than the active Army.

Army training devices, particularly simulators, are designed for use at major training centers and maximum utilization by many soldiers. Such simulators tend to be costly, and of necessity, some must be costly. The ARNG needs low-cost simulators and devices designed with the intent of utilizing issue equipment as the most costly part of the training device.

There is a training simulator developed for use with the ROLAND air defense system which could be used as a universal training device for all air defense weapons to be issued to the ARNG. Considering the deplorable shortage of modern air defense weapons in the ARNG this device could permit the ARNG to start meaningful air defense training while waiting the issue of weapons. We believe that existing state-of-the-art microprocessors can link existing state-of the-art video discs so as to produce very low-cost training systems based on artillery pieces and tanks now on hand in armories.

Modern helicopters are so expensive to purchase that is costly to replace aircraft lost due to training accidents. Missile costs are so high as to almost prohibit practice firing. Simulators are an absolute necessity. The

Congress deleted $9.5 million from the FY84 budget request which was intended to procure the long lead items for two AH1S simulators for the ARNG. It is essential that the FY85 Appropriations restore the $9.5 million to permit the production of those simulators.

The Congress has directed the programming of AH-64 attack helicopters for the ARNG. It is essential that AH-64 simulators be programmed for procurement concurrently with the production of the AH-64s. In our view, it would be most helpful if the simulators became available to the ARNG even before the aircraft are delivered.

Since National Guardsmen are expected to be trained as well as the active forces, we must have even better training support than the active forces.

EQUIPMENT

Mr. Chairman, the Army and the Air Force have made great strides in their programs to fully equip the Army and Air Guard with modern deployable, combat capable equipment. But great progress was needed and continues to be needed.

In general terms, the Army Guard needs a vast infusion of modern equipment to be able to fight. The ANG is equipped to fight, although some of its aircraft are antiquated and capable of a "marginal at best" contribution to extended warfare. However, the rationale for providing additional modern aircraft to the Air Guard is to take full advantage of the existing potential to produce more combat capability by "robusting" existing units.

ANG combat communications units, however, are now inadequately equipped to perform their wartime required missions.

Rather than detail a long list of requirements in the body of this statement, I have attached fact sheets on each of the equipment items (Army and Air) which we consider to be our most critical shortages.

SUMMARY

In summary, Mr. Chairman, we urge that this subcommittee recommend:

- Full funding of the AGR program and the addition of funds for additional National Guard technicians.
- Additional funds for Operation and Maintenance ARNG Appropriations to reduce the shortage of Organizational Clothing and Equipment,

increase the stockage of repair parts with emphasis on parts stockage for OH-6 helicopters, and provide for an increase in training devices.

- Additional funds for Operations and Maintenance ANG Appropriations to install ARN-101 Digital Avionics Systems in ANG RF-4C's and JT-3D engines in ANG KC-135 strategic tankers.

Mr. Chairman, I have appreciated this, my last opportunity, to appear before your subcommittee to present the views of the National Guard Association on the subject of appropriations to improve the combat readiness of the Army and Air National Guard.

I am aware that it may appear that we have asked much. It is our view that much is asked of the National Guard.

Since the National Guard is today expected to fight when, where, and as well as the regulars, we expect to be manned, trained and equipped as well as the regulars.

BIOGRAPHY

MAJOR GENERAL FRANCIS S. GREENLIEF (Ret.)
Executive Vice President
National Guard Association of the United States (1974-)

Major General Francis S. Greenlief joined the staff of the National Guard Association of the United States in September 1974, after retiring as chief, National Guard Bureau on 1 July 1974. He was appointed the executive vice president of the more than 56,000-member Association in September, 1975.

General Greenlief was born in Hastings, Nebraska on 27 July 1921. He completed high school there and enrolled in the University of Nebraska in 1939 to study business administration.

He enlisted in Company G, 134th Infantry, Nebraska National Guard in Hastings on 5 July 1940, and was ordered to active duty with his unit on 23 December 1940 as a corporal. At the time of his entrance to Infantry Officer Candidate School in May 1942, he was acting first sergeant of the same company.

General Greenlief was graduated from Officer Candidate School and was commissioned a second lieutenant, Infantry, on 25 August 1942. He served as platoon leader and commanding officer, Company L, 134th Infantry in the European Theater of Operations from May 1944 until August 1945, participating in the Normandy, Northern France, Rhineland, and Ardennes Campaigns. He was released from active duty on 5 January 1946.

On 3 November 1947, General Greenlief rejoined the Nebraska National Guard as commanding officer, Company G, 134th Infantry. He subsequently served as S-3 of the 134th Infantry Regiment, acting assistant adjutant general of Nebraska, G-4 of the 34th Infantry Division and division chief of staff. He was promoted to colonel on 1 July 1957.

As a colonel, he was ordered to active duty from the Nebraska Army National Guard and assigned as executive officer, Army Division, National Guard Bureau on 1 January 1960. He was appointed brigadier general and designated assistant chief (Army), National Guard Bureau, on 3 November 1962.

General Greenlief was appointed as deputy chief, National Guard Bureau, on 14 September 1963 and was promoted to major general on 9 February 1965. On 13 September 1967, he was extended for an additional four-year term. On 20 April 1970, he was appointed director, Army National Guard in addition to his duties as deputy chief, National Guard Bureau.

He was appointed by the President and confirmed by the Senate to be chief, National Guard Bureau, for a four-year term and was sworn into office on 1 September 1971.

He completed flight training and was designated an Army aviator on 22 May 1969. He is qualified in fixed and rotary wing aircraft.

AWARDS AND DECORATIONS include Distinguished Service Medal, USA, w/cluster; Distinguished Service Medal, USAF; Silver Star; Bronz Star; Purple Heart with three Oak Leaf Clusters; Croix De Guerre with Gold Star; European-African-Middle Eastern Campaign Medal with four Battle Stars; the Combat Infantry Badge and the Army Aviator Badge; Distinguished Service Medal, NGAUS; and many State awards.

ARMY NATIONAL GUARD FACT SHEETS

NGAUS
LEGISLATIVE
FACT SHEET

1984

ATTACK HELICOPTER FLIGHT AND WEAPONS SIMULATORS (FWS)

1. GENERAL

- The AH-1S and the AH-64 both are very sophisticated attack helicopters. The AH-64 is, without doubt, the most sophisticated helicopter in the world.

- Sophisticated training devices are required to assist attack helicopter air crew members in acquiring such skills as primary and advanced flying, target acquisition and weapons delivery.

- Although flight simulators are not a substitute for actual flying, particularly high-risk military flying, they are an available supplement to actual flying (particularly when hazardous conditions are injected in a simulator which could not be introduced deliberately without great risk to aircrews and aircraft in actual flying).

- There is no medium, other than the modern flight and weapons simulators (FWS), that completely integrates tactics; enemy weapons; terrain; electronic warfare; nuclear, biological and chemical warfare; night and weather flying; laser; FLIR; direct-view optics; tanks; artillery and communications into a single, totally safe environment.

2. SPECIFICS

- It costs less to operate simulators than aircraft. The median ratio of military simulator to military aircraft operating costs is about 0.10, based on data accumulated in FY80 and FY81.

- One flight hour in an AH-64 costs the taxpayer about $3,000. One HELLFIRE missile fired from an AH-64 costs in excess of $40,000.

- The amount of savings in flight time alone is sufficient to amortize the cost of a flight simulator within two years.

- The ARNG was scheduled to receive AH-1S FWS for use at Fort Indiantown Gap, Pennsylvania and Marana, Arizona, in February and May of FY87.

- An FY84 congressional reduction of $9.5 million in a $32.6 million AH-1S FWS procurement account has delayed the fielding of the Fort Indiantown Gap FWS by at least six months and the Marana FWS by at least a year.

- Although the AH-64 FWS is under development, no procurement schedule to meet future ARNG requirements yet has been developed.

3. NGAUS RECOMMENDATION

- That Congress restore the $9.5 million for AH-1S FWS cut in the FY85 Defense Budget, and direct the DoD to program procurement of AH-64 FWS as AH-64s are programmed for issue to the ARNG.

TOW-GUIDED MISSILE CARRIER M-901

1. GENERAL

- The TOW-guided missile carrier M-901 is called the improved TOW vehicle, or ITV.

- The ITV consists of an armored personnel carrier (APC) chassis (M-133 type), upon which is mounted an anti-tank, TOW-guided missile system. The system is concealed within the protection of the armored carrier chassis where it can be loaded by the crew. The TOW system is then elevated through the top of the carrier, aimed at an enemy tank and fired while the crew remains under armor protection.

- The APC provides the cross-country mobility required so that the TOW system can be employed in the same environment as enemy tanks. The armored chassis provides limited protection for the anti-tank crew from enemy small arms and fragmentation.

- Anti-tank TOW missile crewmen who are attacked by enemy artillery, mortar or small arms fire while engaging enemy tanks must continue to track the enemy tank for about 20 seconds after the guided missile is fired. Older TOW systems, mounted on jeeps or pintle-mounted on top of APC's, expose anti-tank crews to enemy fire. The anti-tank crew that has to take cover while firing the older exposed systems will miss the enemy tank. Exposed anti-tank personnel who do not take cover could suffer grievous losses. The ITV reduces these problems. There are 51 ITV's in the ARNG inventory today. There are 515 pintle-mounted TOW M-113 carriers and 1,543 jeep-mounted TOW's in the ARNG inventory.

2. SPECIFICS

- The 515 M-113 pintle-mounted TOW launchers in the ARNG inventory could be modernized and upgraded to M-901 ITV at a cost of $108 million ($210,000 modification cost per M-113). The modification would significantly improve the ability of the TOW-launcher crew to survive on the modern battlefield.

- The National Guard Bureau and the Department of the Army agreed to seek a $63 million FY84 Budget supplemental to convert 300 M-113 pintle-mounted TOW carriers to M-901 ITV. Unprogrammed costs for the Grenada and Lebanon operations forced the cancellation of that supplemental.

3. NGAUS RECOMMENDATION

- That the Congress be urged to add $63 million to the FY85 Defense Budget to provide for the upgrade of 300 M-113 pintle-mounted TOW carriers to the modern M-901 ITV.

ATTACK HELICOPTERS

1. GENERAL

- The AH-64 Apache attack helicopter represents the "high" end of the programmed "high-low" mix of AH-64 and AH-1S Cobra attack helicopters in the Total Army.

- The AH-64 can engage and destroy enemy armor at night and under adverse weather conditions, periods when the Cobra is ineffective. It has a low maintenance man-hour to flying-hour ratio. It is highly survivable and carries HELLFIRE missiles and a 30-millimeter chain gun. It has twin engines, reduced infra-red (IR), radar and noise signatures, high performance and agility.

- The AH-64 is entering the active Army inventory during FY84.

2. SPECIFICS*

- The Army planned procurement for attack helicopters is:

AH-64	515
AH-1S	1,072**

- When scheduled buys of AH-1S and AH-64 models have been completed at end FY89, there will be 1,587 attack helicopters available in the active Army and ARNG. One thousand, nine hundred and sixty-one aircraft are required to fully equip all attack helicopter units. The attack helicopter shortage will be 374, of which 220 will be short in the ARNG.

- The "Division 86" Army structure, when adopted, will increase the ARNG attack helicopter requirement from the 409 programmed under present Army TOE's to over 500. The increased requirement will push the end FY89 ARNG attack helicopter shortage to over 300.

- ARNG units currently are employing 282 UH-1C or UH-1M helicopter gunships as substitutes for attack helicopters. The gunships, developed for Vietnam War requirements, are not deployable because they do not have an anti-armor capability. They cannot perform the attack helicopter "tank-killer" mission.

- After the AH-1S models currently authorized for production for the ARNG have been built, there will be no more AH-1S buys or production. The only deployable attack helicopter available to fill ARNG critical shortages will be the AH-64, but no production or buy is planned to fill the shortages. Without combat-capable, deployable, tank-killer attack helicopters, ARNG divisions and armored cavalry regiments would be severely limited during high-intensity combat and would suffer grievous personnel and materiel losses when faced with tank-heavy enemy forces.

3. NGAUS RECOMMENDATION

- That the Congress be urged to authorize the equipping of the ARNG attack helicopter fleet with deployable, anti-armor attack helicopters by taking the following actions:
  - That the Congress authorize and appropriate an add-on of $31 million to the FY85 Defense Budget for long lead items, which would permit an add-on buy of 36 AH-64 attack helicopters for the ARNG in FY86.

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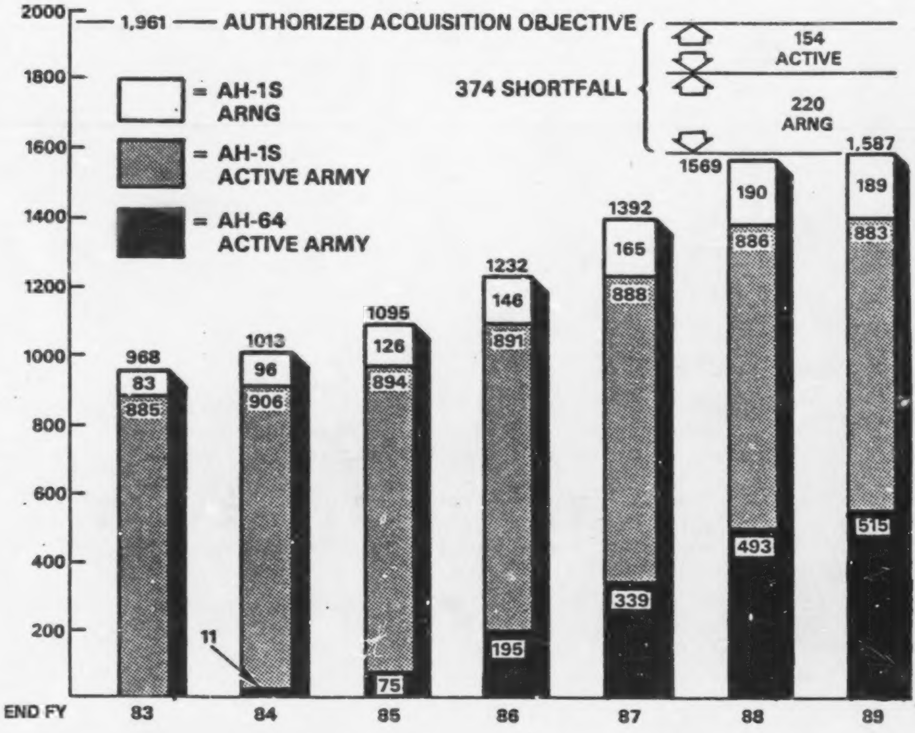
* All figures include application of peacetime attrition factors.

** This assumes that the 85 AH-1G models in the active Army and ARNG inventory have been rebuilt to the AH-1S configuration.

- That the Congress authorize and appropriate an add-on of $45.8 million in the FY85 Defense Budget to modify 30 AH-1G helicopters to the AH-1S anti-armor, deployable, attack helicopter configuration (to continue a three-year program to modify all AH-1G's in the Army inventory) and issue them to the ARNG.
- That the Congress continue to direct the Department of the Army to develop a plan to provide AH-64s and to rebuild AH-1G's to AH-1S configuration, until all required attack helicopters are programmed for issue to ARNG divisions and armored cavalry regiments.

U.S. ARMY
AH-1S & AH-64
ATTACK HELICOPTER
INVENTORY
PROJECTION*



*1. Assumes conversion of 85 AH-1G to AH-1S configuration and transfer from the active Army to the Army National Guard (20 each in FY 85, 86, 87 and 25 in FY 88).
2. Peacetime attrition factors applied.

FIXED-WING/ADMINISTRATIVE AIRCRAFT

1. GENERAL

- The ARNG has a validated requirement for 85 fixed-wing/administrative aircraft. Of that number, 17 are required for deployment after mobilization. All others are required for administrative and support functions with each state.
- Fixed-wing/administrative aircraft in the ARNG are used:
  - By commanders and staffs for all-weather visits to training and operations sites.
  - For combat mission support.
  - For priority transportation of technician inspection, safety and accident teams.
  - For emergency medical evacuation and support.
  - For secure movement of key people, critical materiel and sensitive documents.
  - For battlefield surveillance.
- Each state is authorized at least one fixed-wing aircraft.

2. SPECIFICS

- In FY80, Congress authorized an add-on buy of eight modern C-12 aircraft for the active Army so that eight modern U-21s could fall out to the ARNG.
- In FY81, Congress authorized an add-on buy of six modern C-12 aircraft for the active Army so that six modern U-21s could fall out to the ARNG.
- In FY82, and again in FY83, Congress authorized an add-on buy each year of six modern C-12s specifically for the ARNG.
- In FY84, Congress authorized an add-on buy of six C-12s for the active Army with the proviso that six U-21s drop out of the Army inventory to the ARNG.
- Other than the fall-out of U-21s and the C-12s, when delivered, most fixed-wing/administrative aircraft in the ARNG are U-8s and U-3s. All are reaching the end of their programmed service life.
- C-12s provided to the active Army are vital because their long loiter time and high-altitude capability make them ideal for highly-classified intelligence detection work over the battlefield, a task for which the U-21 is not suitable. However, the U-21 is well-suited for the ARNG administrative and support role. Thus, NGAUS efforts to get C-12s for the active Army, allowing U-21s to drop out to the ARNG, assist both elements of the Total Army.

3. NGAUS RECOMMENDATION

- That the Congress be urged to authorize an add-on purchase of six C-12 aircraft in the FY85 Defense Budget at a cost of about $12 million. These aircraft would be purchased for the active Army so that six modern U-21s can fall out to the ARNG.

UH-60A BLACK HAWK

1. GENERAL

- The ARNG utility helicopter fleet today consists solely of 1,103 UH-1H and 25 UH-1V (medical version) HUEY helicopters.
- The Department of the Army plans procurement of 1,107 UH-60A BLACK HAWK helicopters for replacement of UH-1H and UH-1V utility helicopters in active Army combat support aviation companies, air cavalry squadrons and troops and helicopter ambulance companies and detachments. The delivery of the BLACK HAWK to the active Army will be completed by 1991.
- The UH-60A BLACK HAWK is designed to operate in areas of mid- to high-intensity combat. It is a significantly-improved aircraft, as compared to the HUEY, in that it: virtually is invulnerable to small arms fire; can withstand hits of as great as 23 millimeters; possesses redundant features; and has a life-saving, crashworthy design. Currently, as 15 BLACK HAWK's are added to the Army inventory, 23 UH-1H aircraft are displaced.
- The UH-60A BLACK HAWK can lift a fully-equipped infantry squad; can carry four times the cargo load of the HUEY; can operate at night or under adverse weather and icing conditions; and can operate at speeds 50 percent greater than the HUEY.
- Employing the UH-60A BLACK HAWK as the lift helicopter in a combat support aviation company enables the aviation company to move an entire infantry company in a single lift. The combat support aviation company using BLACK HAWK also can move 260 tons of materiel to sustain the daily combat operations of an armor or mechanized infantry division on a European battlefield.
- Employing the UH-60A BLACK HAWK as an air ambulance enables faster air movement of casualties; provides a crashworthy, rapid-loading litter system; and provides room for a medical corpsman to have access to each casualty.

2. SPECIFICS

- By 1991, when the purchase of the UH-60A BLACK HAWK has been completed for the active Army, 85 percent of the Army National Guard UH-1H/V HUEY's will be over 20 years of age, with the average age being 23 years.
- The operational life cycle of helicopters is regarded by the Army as 15-20 years.
- Four UH-60A BLACK HAWK's are now in the ARNG in Kentucky and Ohio.
- Equipping ARNG combat support aviation companies, air cavalry troops, helicopter ambulance companies and detachments, transportation aviation maintenance companies, aviation intermediate maintenance companies and aviation class repair and depot (AVCRAD) maintenance companies with UH-60A BLACK HAWK's would require 547 aircraft, plus 55 for an operational readiness float, for a total of 602 UH-60A's.
- Replacement of the HUEY fleet in the ARNG units listed above must begin soon to prevent obsolescence and to replace 20-year-old air frames with modern aircraft.
- The manufacturer (Sikorsky Aircraft) economically can produce an additional 24 BLACK HAWK's per year (two per month).

3. NGAUS RECOMMENDATIONS

- That the Congress be informed of the aging ARNG utility helicopter fleet.
- That the Congress be urged to increase production of the BLACK HAWK by 24 per year to meet active Army requirements at a faster rate.
- That the Congress be urged to direct the DoD to include BLACK HAWK's for the ARNG in the Army Acquisition Objective (AAO), and authorize and appropriate funds for procurement of BLACK HAWK's for the ARNG to modernize the utility helicopter fleet.

ARNG MEDICAL EQUIPMENT

1. GENERAL

- Programmed procurement and Operations and Maintenance (O&M) funding through FY90 will not meet near-term ARNG medical equipment requirements.
- ARNG medical equipment shortages include both major end items and elements within on-hand medical sets.

2. SPECIFICS

- The ARNG has 100 percent of the 7,793 individual surgical sets authorized. Those sets soon will be obsolete. Replacement of those sets, at $240 per set, is estimated to cost $1.9 million.
- Filling medical and dental equipment sets with modern items is estimated to require an expenditure of about $6 million.

3. NGAUS RECOMMENDATION

- That the Congress be urged to authorize an add-on of $8 million to the FY85 Defense Budget to replace obsolete ARNG surgical sets and to replace obsolete or missing items in ARNG medical and dental sets.

ARMY NATIONAL GUARD DIVISIONAL AIR DEFENSE ARTILLERY

1. GENERAL

- The Army National Guard includes eight divisions in the current force structure. In FY84, the 35th Infantry Division (M) will be added, and in FY85 another division will be added, for a total of 10 ARNG divisions.
- Each active Army division includes an air defense artillery (ADA) battalion equipped with a mix of Chaparral missile fire units and 20-millimeter Vulcan gun fire units. The Army will begin conversion of Vulcan to product improved air defense systems (PIVADS) in 1985. All active Army ADA battalions are fully equipped with deployable weapons systems.
- The Army plans to replace all Vulcan fire units in active Army armored or mechanized infantry divisions with Sergeant York 40-millimeter gun fire units, as those modern weapons systems are produced.

- The eight currently-organized ARNG division ADA battalions are equipped solely with M42 "Duster" 40-millimeter gun fire units. "Dusters" were manufactured during the Korean War. Because of the age of the fire units, and a lack of spare parts, no "Dusters" are deployable to a combat theater. There is no programmed buy of Sergeant Yorks for ARNG divisional ADA battalions.

2. SPECIFICS

- The Army plans to transfer PIVADS to ARNG ADA battalions as Sergeant Yorks are made available. The Army also plans to place some Chaparral missile systems in the ARNG ADA battalions as reorganization of active Army ADA battalions to "Division 86" configuration changes the structure of those battalions, from two Vulcan batteries and two Chaparral batteries, to three-gun batteries (Sergeant York or PIVADS) and one Chaparral battery.

- Although 12 fire units from the active Army maintenance float would be provided to the ARNG by September, 1984, sufficient Chaparral missile fire units will not be available to fully equip either the current eight, or future 10 ARNG divisional ADA battalions, and no additional buy of those fire units is programmed for the immediate future.

- As active Army heavy divisions reorganize to Division 86 configuration, 66 Chaparral systems will be released to the ARNG. The ARNG Chaparral requirement for 10 divisions is 144 weapons systems (18 per heavy division and 12 per infantry division) plus 10 (one per division) for a maintenance float, for a total of 154. To fill the ARNG Chaparral requirement, an add-on buy of 88 Chaparral weapons systems is required. Procurement of 88 Chaparral systems will allow a payback to the Army of the 12 weapons systems taken from the Army maintenance float in 1984.

- The Army POM (Program Objective Memorandum) does not program any buy of additional Chaparral missile systems until FY88, when $243.9 million is scheduled for production of 97 fire units for delivery in FY90. The production line will not be operational in FY88. The Chaparral manufacturer (Ford Aerospace) feels that capital costs and start-up costs actually would increase the cost of producing those systems to an estimated $320 million at that time. In FY85, the Chaparral production line will be operational because of a contract let by Taiwan. Because of that, the manufacturer believes that $40 million would suffice for production of 20 Chaparral systems for the ARNG in FY85. Production in FY86 and beyond would run about $50 million per year, except in the fifth year when production of only eight systems for the ARNG would reduce production costs.

- The 10 ARNG divisional ADA battalions must have Chaparral systems to combat enemy attack helicopters and low-flying fixed-wing attack aircraft within the division combat area.

3. NGAUS RECOMMENDATION

- That 88 Chaparral missile fire units (to include test equipment) be procured at a rate of 20 per year, over the next five years, at a cost of $40 million in FY85, and $50 million per year thereafter, to fully equip the 10 ARNG divisional ADA battalions.

ARNG BATTALION FIRE SUPPORT SYSTEM

1. GENERAL

- A 1980 congressional budget decision authorized the TACFIRE (Tactical Fire Direction System) for active Army and ARNG roundout field artillery battalions only. As a result of that decision, most ARNG field artillery battalions need a battalion fire support system to coordinate the fire of their organic batteries.

- All active Army and ARNG field artillery battalions ultimately will receive the AN/GYK-29 battery computer system (BCS) to replace the FADAC M-18 gun computer.

2. SPECIFICS

- The BCS can be modified with improved memory, increased communications channel capability (from two channels to six) and added software now available in the multiple launch rocket system (MLRS) modified with new applications needed to meet battalion field artillery fire support requirements.

- Conversion of BCS's to battalion fire support systems will require the provision of $8 million in Research, Development, Test and Evaluation (RDT&E) funds in the FY85 Defense Budget, followed by procurement funding of $40 million in FY86 to procure 160 battalion fire support systems at $250,000 per system.

3. NGAUS RECOMMENDATION

- That the Congress be urged to authorize an RDT&E add-on in the FY85 Defense Budget of $8 million for development of the ARNG field artillery battalion fire support system from the BCS system, and that the Congress, in the FY86 Defense Budget procurement process, be urged to authorize $40 million to purchase 160 battalion fire support systems for the ARNG field artillery battalions not equipped with TACFIRE.

ARNG GROUND COMBAT EQUIPMENT

1. GENERAL

- During FY82 Defense Budget deliberations, a program to provide $400 million for ARNG equipment over the next few years was authorized. In FY82, $50 million of that amount was included in the Appropriations Act to buy howitzers, armored vehicle launched bridges, mortar carriers and command post vehicles.

- In the FY83 Defense Appropriation, the Congress once again provided a $50 million add-on for ARNG ground combat equipment. Types and quantities of equipment were not specified, so the Chief of the National Guard Bureau was allowed to designate armored personnel carriers, five-ton trucks and tactical communications equipment as the critically-short items to be obtained with those funds.

- In FY84, the Congress provided $100 million for add-on ground equipment which will be used for signal equipment, trucks and computers.

- Currently, the National Guard Bureau reports an overall mobilization equipment shortfall of $11.9 billion.

2. SPECIFICS

- The NGB reports some critical ARNG ground equipment shortages to be:

Trucks (All Types)	$552,153,712
Communications Equipment	$908,853,885
Tactical ADPE (All Types)	$131,000,000

3. NGAUS RECOMMENDATION

- That the Congress be urged to add on to the FY85 Defense Budget $100 million for ground combat equipment of the types and quantities recommended by the Chief, National Guard Bureau, as part of an ongoing program established by the Congress in the FY82 Defense Budget to provide $400 million for ARNG equipment over several years.

ARNG SIMULATORS

1. GENERAL

- ARNG combat training is limited by the availability of ranges, ammunition, training time and training site weather conditions.

- Training simulators can provide realistic training for both individuals and crews.

- The National Guard Bureau is proposing development of GUARDFIST (Guard Unit ARmory Device Full-crew Interactive Simulation Trainer) simulators to realistically train artillery and armor crews in an armory environment at low cost.

2. SPECIFICS

- GUARDFIST II is an artillery closed loop training device, which provides training for the forward observer (FO), the fire direction computer (FDC) specialist and the gun crews. It would allow the forward observer to identify the target and call for fire, the FDC to compute and transmit fire commands to the gun crews and the gun crew to set elevation and deflection and fire on command (simulated or blank).

- GUARDFIST II would incorporate state-of-the-art technology and off-the-shelf components. These components and estimated costs are:

Microprocessor	$6,500
Video-Disc Player	1,000
45-inch Diagonal TV Monitor	2,500
Rheostats and Mounting Bracket	500
Video-Disc	15
Total per unit	$10,515

- GUARDFIST II off-the-shelf equipment would be low enough in cost to provide the device to each ARNG armory housing a field artillery unit (315). The total procurement cost would be less than $3.4 million.

- By using the microprocessor, video-disc player and TV monitor as a central core and by changing peripherals (i.e., video-disc/software, rheostats, light pens, etc.), other low-cost devices could be constructed. By simply changing the rheostats of the Artillery Trainer, infantry and armor mortar crews could be trained.

- Building on the technology of the artillery trainer, similar applications can be used to construct a full-crew armor trainer. The armor trainer would consist of:

  Microprocessor
  TV Monitors (3)
  Video-Disc Players (3)
  Several Rheostat Devices
  Joystick Controls.

  It is estimated that the armor crew trainer off-the-shelf equipment would cost from $50,000 to $75,000 per trainer.

- Research and development funds would be required to produce computer software, prepare video-disc programs and integrate off-the-shelf systems for both the GUARDFIST II artillery simulator and the follow-on full-crew armor simulator.

3. NGAUS RECOMMENDATION

- That the Congress be urged to add-on to the FY85 Defense RDT&E Budget $2 million to develop the GUARDFIST artillery and armor crew training simulators.

AIR NATIONAL GUARD FACT SHEETS

F-15s FOR THE ANG

1. GENERAL

- At the end of 1983, the ANG tactical fighter force was short 118 aircraft from the Air Force level of primary authorized aircraft (PAA).

- If one squadron of 24 PAA were added to the ANG inventory each year, it would be 1990 before ANG units would be "fleshed out" to the most economically-effective, combat-capable force (assuming no attrition or retirement of any present aircraft in the inventory).

- The ANG tactical fighter force contributes 25 percent of the total tactical fighters. In 1990, the age of ANG A-7s will average 17 years, and the age of F-4s will average 23 years, requiring expensive weapons systems enhancements now to keep those aircraft a viable, combat-capable and survivable weapons system force.

- To sustain the present total Air Force structure of 36 tactical fighter wings, 234 aircraft must be produced for the Air Force each year (after the present 118 ANG shortages are filled!). Only 144 F-16s and 36 F-15s will be produced in FY84, so shortages will increase. Production must be increased to over 260 per year (+80) to "flesh out" and maintain a 36-wing force. (The Soviets produce over 1,300 fighters per year!)

- The ANG air defense force contributes 68 percent of the total air defense fighters. However, the ANG fighter force consists of F-106s (over 24-years-old) which are slowly being replaced by F-4C/D's (over 18-years-old). The active Air Force (32 percent of the force) will be modernized completely with the F-15 by FY86. The F-4 is, at best, an interim replacement for the F-106. It is considerably more expensive to operate and considerably less capable against the threat than the F-15.

- ANG units, with their highly-experienced aircraft and exceptionally well-qualified and stable maintenance personnel, are ideally suited to being equipped with the world's premier high-technology fighter, the F-15. Additionally, the ANG can operate the F-15s at approximately one-third less cost than the actives can operate them.

- The Soviets have nearly three times as many fighters as the USAF. The "Flanker and Fulcrum" (F-15 and F-16 equivalents) are in production and it is estimated their production alone may soon be over 500 per year.

SPECIFICS

- The capabilities of the F-15 are greater than any other in-production fighter, and can be procured at approximately the same cost when efficient production and attrition rates are considered.

  — Increasing the production rate from 36 per year to 72 per year would result in a savings of 26 percent ($36.6 million down to $26 million). Increasing the production rate to the optimum rate of 96 per year would result in a savings of 30 percent ($36.6 million down to $24 million). Additional savings can be acquired through multi-year contracting.

- — The F-15 is the safest fighter in history. The cumulative destroyed rate comparison through 31 August 1983 is: F-100=16.0, F-16=10.8, F-15=4.3 (less attrition = investment saved).
- — The F-15 C/D has the best fully-mission-capable rate (in excess of 70 percent) in the tactical inventory (1981, 1982, 1983).
- — The F-15 has the best growth capability (the ability to incorporate new technology without extensive modification) among USAF fighters, which extends longevity.

- ● The F-15 is much more capable than the programmed AMRAAM-equipped F-16 in air superiority mission. The F-15:
  - — Has double the radar range.
  - — Has eight times the radar search volume.
  - — Has existing beyond-visual-range capability with the AIM-7 and will utilize full AMRAAM capability.
  - — Has radar advantages which allow the F-15 to operate as a "Mini-AWACS" if needed.
  - — Has been produced to operate with OTH - B radar.
- ● The F-15 recently was chosen by the Air Force as the Dual-Role Fighter. Early ramp up of production will allow even more savings in the basic production F-15.

3. NGAUS RECOMMENDATIONS

- ● That the Congress authorize and fund the original Air Force five-year defense plan (1983) to procure 72 F-15 C/D's to allow the transfer of 24 additional F-15 A/B's to the ANG.
- ● That the Congress authorize and fund the advance procurement of 96 F-15 aircraft for FY86 so 48 additional F-15 A/B's will be transferred to the ANG.

F-16s FOR THE ANG

1. GENERAL

- ● At the end of 1983, the ANG tactical fighter force was short 118 aircraft from the Air Force level of primary authorized aircraft (PAA).
- ● If one squadron of 24 PAA were added to the ANG inventory each year, it would be 1990 before ANG units would be "fleshed out" to the most economically-effective, combat-capable force (assuming no attrition or retirement of any present aircraft in the inventory).
- ● The ANG tactical fighter force contributes 25 percent of the total tactical fighters. In 1990, the age of ANG A-7s will average 17 years, and the age of the F-4s will average 23 years, requiring expensive weapons systems enhancements now, to keep those aircraft a viable, combat-capable and survivable weapons system force.
- ● To sustain the present total Air Force structure of 36 tactical fighter wings, 234 aircraft must be produced for the Air Force each

year (after the present 118 ANG shortages are filled!). Only 144 F-16s and 36 F-15s will be produced in FY84, so shortages will increase. Production must be increased to over 260 per year (+80) to "flesh out" and maintain a 36-wing force. (The Soviets produce over 1,300 fighters per year!)

- The Soviets have nearly three times as many fighters as the USAF. The "Flanker and Fulcrum" (F-15 and F-16 equivalents) are in production and it is estimated their production alone may soon be over 500 per year.

2. SPECIFICS

- The Congress has added on procurement funds for 24 ANG F-16s in FY83 and 24 F-16s in FY84, plus advance procurement for 30 additional F-16s for FY85 to continue the modernization of reserve forces.
- The FY85 DoD Budget requests funds for the purchase of 150 F-16s and 48 F-15s (198). However, new production must be increased to 260 to "flesh out" and maintain a 36-wing force.
- As the F-16 enters the ANG, the fighters that it replaces will not be "traded-in". F-4s and A-7s will be used to increase the PAA of other units until all units are equipped with the same PAA (24+2) as the active Air Force.

3. NGAUS RECOMMENDATIONS

- That the Congress authorize and fund 48 F-16s for the Air National Guard in FY85.
- That the Congress authorize and fund the advance procurement of 48 F-16s for the Air National Guard in FY86.

C-130H TACTICAL AIRLIFT AIRCRAFT

1. GENERAL

- The airlift units of the Air National Guard provide 30 percent of the Air Force's tactical airlift assets and services.
- The C-130A tactical airlift aircraft now average over 26 years of age and are the only "A" models flying today. The Royal Australian Air Force (RAAF) elected to retire their 12 C-130A's and have replaced them with C-130H's.
- The C-130A last was produced in 1959; thus, it has many out-of-production systems and components. For rotational assignments (TDY's) overseas, all C-130A spare parts and equipment must be carried onboard to support these aircraft as there are no en route staging areas or C-130A spare parts pools anywhere except the CONUS.
- Air Force records show the C-130A's to be much more costly per flight hour/operation than the modern C-130H's. United States Air Force data currently show the annual cost of depot maintenance of the C-130A's to be $178,579 per aircraft compared to $82,956 per aircraft for the C-130H. These costs do not reflect the added loss of airlift due to the extensive downtime required for the unscheduled structural repairs of the C-130A's wings.
- A combination of corrosion and fatigue of the outer and center wings of the C-130A require continual inspection and costly repairs and/

or replacement of structural members to keep the aircraft in a flyable condition. Current and contemplated Air Force C-130A wing structural inspections will require a continual structural repair program through the 1980s.

- The C-130A's airlift capability cannot match the C-130H, which offers 26 percent more payload, 52 percent more range and 11 percent higher cruise speed. Further degradation can be expected as heavier structural repairs are required in the future. C-130A units cannot train for many missions normally required in combat.

2. SPECIFICS

- In FY84 the modernization of the Air National Guard must continue because:

  -- There is no planned replacement of the C-130 in the tactical airlift role.

  -- The recent DoD decision to buy C-5/KC-10 strategic airlifters does not remedy the shortfall of intratheater airlift.

  -- The USAF recognizes a shortage of 28 C-130 aircraft, including 14 in the active force Backup Aircraft Inventory (BAI); however, there is no plan to procure new C-130s in FY85.

  -- The C-130A's lack the capability to meet the airlift requirements of the Air National Guard and the Total Force.

3. NGAUS RECOMMENDATION

- That the Congress add on funding ($380 million) for procurement in FY85 of 18 C-130H's for the ANG to continue to replace C-130A's (40 remain in the ANG inventory).

FORWARD LOOKING INFRARED RADAR (FLIR) SYSTEM

1. GENERAL

- During 1979, all ANG A-7 units were assigned a night attack mission. Subsequently, a Mission Element Need Statement (MENS) validated an ANG requirement for an A-7 night attack system. The requirement has appeared in each year's Program Objective Memorandum (POM), yet remains unfunded.

- General Creech, Commander, TAC, said recently that the greatest weakness in TAC AIR is the "inability to fight at night." FLIR would allow ANG A-7s to increase their combat capability from 8 to 10 hours per day to 22 or more hours per day! (Armed Forces Journal, Jan. '83).

- The FLIR modification for A-7 aircraft involves relatively minor changes in wiring and hardware. A FLIR pod is hung on an external wing pylon; the infrared image is displayed on the pilot's Head Up Display (HUD). Magnification of the FLIR field of view permits precise aiming index placing, resulting in weapons delivery accuracy equal to, or better than, daytime accuracy. The system is compatible with the current inventory of munitions, and is an off-the-shelf item currently in use on U.S. Navy A-7E's. The system has been evaluated and endorsed by over 200 Air Force and Air National Guard pilots.

- ANG A-7 units cannot accomplish their assigned night attack mission without FLIR. Funds have been authorized by Congress to procure this under-the-weather night attack system for two ANG A-7 squadrons, more than doubling their combat capability. Additional funds are required to continue FLIR procurement.

2. NGAUS RECOMMENDATION

- That the Congress add on approximately $92 million in FY85 for the procurement of 24 FLIR under-the-weather night attack systems for two ANG A-7 squadrons.

KC-135 REENGINING

1. GENERAL

- The KC-135A fleet originally was procured to support only the strategic bomber force, but now is tasked to support over 11,000 U.S. and NATO receivers composed of bomber, tactical and general purpose aircraft. Consequently, total refueling requirements far exceed present KC-135A fleet capability. Reengining markedly will improve the productivity of the KC-135 tanker fleet, will eliminate the rapidly-rising maintenance costs of the present aging and inefficient J-57 engine and will increase the capability of this valuable and unique tanker asset that has over 70 percent of its useful life still ahead.

- Reengining the KC-135A also will reduce noise levels, thereby helping to alleviate community relations problems of Air National Guard, Air Force Reserve and U.S. Air Force bases located in urban areas. Air pollution and engine smoke also would be reduced significantly by the new engines.

- Since 1978, Congress has strongly supported reengining the KC-135 with the modern, fuel-efficient CFM-56 engine, which will provide an effective solution to the above-cited problems of mission capability and excessive maintenance costs of the Pacer Grade overhaul program. It also will improve community relations. The first Air Force unit aircraft have been completed and planned production could permit 100 KC-135s to be mission-ready by 1986.

- Because certain ANG tanker units are experiencing acute community relations problems caused by the noisy, smoky, low-performance J-57 engine now installed in the KC-135, near-term relief is being provided by the interim installation of the commercially-proven JT-3D engine. It has been installed on 65 ANG KC-135 tankers with excellent results, eliminating community problems and obtaining more than the planned increase in operational capability.

- Congress approved $125.5 million in FY84 to reengine 31 KC-135s with JT-3D's. This will complete all but one unit (with eight KC-135s) by the end of FY84.

2. SPECIFICS

- JT3D advantages over J-57 —
  - Takeoff thrust 18,000 vs. 13,750 (WET).
  - Fuel consumption 12 percent less.
  - Noise reduced 60 percent.

- — Emissions reduced 90 percent.
- — Reverse thrust capability.
- — Up to 400 percent improved reliability.
- — 137 donor aircraft identified in U.S. and Canada.
- — 80 percent of JT-3D parts federally stock listed.
- — JT-3D engine parts 80 percent common with USAF TF-33 engines.
- — JT-3D tooling over 90 percent common with USAF TF-33 engines.

3. NGAUS RECOMMENDATION

- That the Congress add on approximately $32.32 million in FY84 for the FY85 procurement of eight sets of JT-3D engines for ANG KC-135 tankers to complete reengining of all ANG KC-135 aircraft. (Includes $16.24 million for installation).

ANG F-4 LOW-SMOKE ENGINE

1. GENERAL

- The F-4 tactical fighter will be in the ANG inventory into the 1990s.
- The production of newer tactical fighters (F-15 and F-16) has not reached a level high enough to even maintain the present total Air Force 36-wing force, let alone to modernize the force.

2. SPECIFICS

- The J-79 engines used in the F-4 aircraft leave a smoke trail which can be seen even before a visual contact is made with the aircraft itself, thus decreasing the survivability and combat effectiveness of the F-4.
- A low-smoke modification of the J-79 engine has been proven very successful in nearly eliminating the tell-tale smoke trail emitted from an unmodified engine.
- Funding has been provided for the modification of 394 engines (six RF-4C units and one F-4D unit). The program is on schedule.
- Congress added funds to the FY84 DoD Appropriations Act to modify two more F-4D unit aircraft. There is a need to modify 150 more engines of those F-4D aircraft programmed to be available for deployment into the 1990s.

3. NGAUS RECOMMENDATION

- That the Congress add on funds to the FY85 Defense Budget for the low-smoke modification of 150 ANG F-4d engines.

ARN-101 DIGITAL AVIONICS SYSTEM FOR ANG RF-4C's

1. GENERAL

- The ANG is assigned more than 50 percent of the manned tactical reconnaissance forces of the United States Air Force (USAF); no change is programmed in the out years.
- The 155 ANG RF-4C's are viable tactical reconnaissance platforms beyond the year 2000, but are limited to daytime operations due to obsolete avionics. To effectively accomplish their assigned combat mission, particularly during night/adverse weather conditions, ANG aircrews need the ARN-101 for use in the ANG RF-4C's.
- Active RF-4C units have been modernized with the ARN-101, an up-to-date digital avionics system.

2. SPECIFICS

- Current ANG RF-4 avionics mean time between failure (MTBF) is 16 hours. The ARN-101 MTBF is 261 hours. Thus, a 1,600 percent increase in reliability can be expected with the ARN-101.
- If the entire ANG RF-4 fleet were equipped with the ARN-101, an approximate annual reduction of 2,000 maintenance manhours could be achieved--saving nearly $4 million per year.
- Installation of the ARN-101 could reduce ANG RF-4 sorties lost due to avionics factors from 10.6 percent to 1.1 percent.
- Active force F-4/RF-4s are equipped with the ARN-101; adding the system to ANG aircraft would allow an interoperability of avionics/navigation systems, common maintenance and a single logistics chain.
- A delay in the procurement of the ARN-101 for the ANG would only decrease the economic savings inherent in the use of the system.

3. NGAUS RECOMMENDATION

- That the Congress add on funding in FY85 for the immediate procurement of 40 ARN-101 digital avionics systems for ANG RF-4C units ($16 million procurement -- $6.8 million operations and maintenance).

ANG TACTICAL FIGHTER UPGRADE

1. GENERAL

- ANG F-4s and A-7s will remain in the inventory with an assigned combat responsibility into the 1990s. These aircraft will be over 20 years old by that time. To be an effective and survivable weapons system, they will need upgrading with maximum systems enhancements.

2. SPECIFICS

- A minimum defensive capability requires the installation of an AIM 9L/M missile system with an off-boresight capability.
- Aircraft must have a minimum electronic combat capability, to include the installation of digital radar warning receivers,

improved chaff dispensers (ALE-40), electronic counter-measure systems (ALQ-119/131) and quick/antijam radios.

- A-7 tactical computers are 99.64 percent programmed. These computers must be replaced to allow software and hardware updates to make possible a significant increase in bombing accuracy.

3. NGAUS RECOMMENDATION

- That the Congress add on $50 million in FY85 for the beginning of an upgrade program for ANG A-7 and F-4 tactical fighters that will be in the inventory into the 1990s.

COMMUNICATIONS

1. GENERAL

- ANG combat communications units (70 percent of total Air Force capability) and tactical air control units (55 percent of Air Force capability) all are tasked for rapid worldwide deployment.
- These units are equipped with outdated, non-compatible equipment, usable only because of superior ANG maintenance capability. However, enlistment of critically-skilled personnel is becoming a problem. This antiquated tube-type equipment impacts adversely on enlistments in critical-skill areas.
- The shortfall of communications-electronics equipment for ANG units is critical.

2. SPECIFICS

- The ANG communications-electronic and meterological equipment shortage amounts to $61.8 million. The most urgent shortages could be eliminated if $31.2 million were provided for procurement in FY85.

3. NGAUS RECOMMENDATION

- That the Congress add on funding in FY85 of $31.2 million for compatible state-of-the-art communications equipment for ANG units tasked for rapid worldwide deployment in support of Air Force contingencies.

REPLACEMENT OF C-131 MISSION SUPPORT AIRCRAFT

1. GENERAL

- The antiquated piston-engined C-131 mission support aircraft being operated by 33 states are expensive to operate, difficult to maintain, restricted in operations by inadequate avionics and available power, and are generally unreliable aircraft.
- Congress added $11.8 million to the FY84 DoD Budget to procure six C-12 aircraft to begin replacing the 33 aged ANG C-131 mission support aircraft.

2. SPECIFICS

- There are five possible alternatives to the replacement of the C-131:

- Procure the C-12.
- Procure the C-12J (+ 11 Passengers, + 3,900 useful weight capacity).
- Replace C-131 piston engines with T-56 turbo prop engines and upgrade C-131 avionics with state-of-the-art equipment.
- Utilize surplus ANG C-130s to replace C-131s.
- Take advantage of any or all of the above alternatives.

3. NGAUS RECOMMENDATIONS

- That the Congress add on funds to procure 12 C-12J aircraft in FY85 ($36 million).
- That the U.S. Air Force ascertain whether the C-131 engine and avionics replacement are economically feasible.

BUDGET PRIORITIES

Senator **STEVENS**. Thank you very much, General. And we make the same request that we did of Admiral Spiro, and that is that we face some interesting challenges to get these bills down to the level of anticipated budget ceilings. And I note that you have requested that we fund the authorization bill. They will have the same problem, only not quite the same because they deal with authorization and we deal with outlays, and I am sure you realize that the outlay problem in this year and the next 2 years is worse than the authorization level.

But we would ask you to take a look at your recommendations to us and give us your priorities, too.

General **GREENLIEF**. Yes, sir. We would be happy to.

Senator **STEVENS**. You were addressing the $313 billion level in your statement, right?

General **GREENLIEF**. Well, sir, when I wrote my statement—I read the papers and I talked to a few people here—I was pretty well aware what would occur. I am aware that there has been a significant reduction.

As a matter of fact, I consider the task you have just given me to be somewhat easier now because the administration has lopped off the first $14 billion or so. So I will be working, trying to produce a recommendation to you, knowing what they have already eliminated.

Senator **STEVENS**. Well, the President reluctantly agreed with us who told him that is the best we could do. But as a matter of fact, if I read the papers, too, the House has just told us we cannot even do that.

General **GREENLIEF**. I am aware of that.

Senator **STEVENS**. So I would like to have your priorities, if we could get them.

[The information follows:]

BUDGET PRIORITIES

of the

NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

General Greenlief: Mr. Chairman, we are unaware of what cuts the Department of Defense will make in the FY85 Defense Budget to conform to the new guidelines laid down by the President. In any case, our Association does not have the expertise needed to comment knowledgeably on how or where such cuts should be applied. Our Association does not seek to solve Army and Air National Guard equipment shortages at the expense of the active forces. However, it is apparent to us that each year the Congress, for a variety of reasons, does make reductions in the procurement budget submitted by the Department of Defense. We are also aware that the Chief of Staff of the Army, in testimony, has stated that $1.4 billion is programmed for procurement for the Army Guard and Reserve as part of the Army's Fiscal Year 1985 program. We are very pleased to have that information. We also realize that $900 million was used by the Army in fiscal year 1984 for Army National Guard procurement. Notwithstanding procurement of $900 million in 1984 and the Army Guard portion of the $1.4 billion programmed for 1985, the Army National Guard is still seriously short items needed for wartime deployment. To the extent that the Congress agrees that additional defense procurement funds are available to solve pressing National Guard needs, the following are our procurement requirements, arranged in order of priority on three lists. None of the items on our three lists are, to our knowledge, included in programmed Army or Air Force procurement in 1984 or 1985.

The first list details Guard procurement requirements as detailed in the fact sheets attached to our Defense Subcommittee statement.

Army National Guard Procurement	Dollars in Millions
30 AH-1G Attack Helicopter Conversions	$ 45.8
300 TOW Vehicle Conversions	63
Attack Helicopter (AH-64) Long-Lead Items	31
6 Fixed-Wing Aircraft	12
Medical Equipment	8
20 Chaparral Air Defense Missile Systems	40
Fire Support Systems	8
Army National Guard Ground Equipment	100
Ground Weapons Simulators	2
Total	$ 309.8

Air National Guard Procurement	Dollars in Millions
24 F-15 Aircraft	$ (649.6)*
48 F-16 Aircraft	841
16 C-130H Airlift Aircraft	380
Forward Looking Infrared Radar (FLIR)	92
JT-3D Engines for the KC-135	32.32
ARN-101 Digital Avionics Systems	22.8
Tactical Weapons Systems Upgrade for the A-7 & F-4	50
Communications Equipment	31.2
Mission Support Aircraft	36
Total	$ 1,500.32

*Requested Increase to Air Force Budget

Total ARNG and ANG $ 1,810.12

The second list is a reduced version of the first list.

	Army National Guard Procurement	Dollars in Millions
30	AH-1G Attack Helicopter Conversions	$ 45.8
136	TOW Vehicle Conversions	29
	Attack Helicopter (AH-64) Long-Lead Items	31
6	Fixed-Wing Aircraft	12
	Medical Equipment	8
20	Chaparral Air Defense Missile Systems	40
	Fire Support Systems	8
	Army National Guard Ground Equipment	100
	Ground Weapons Simulators	2
		$ 275.8

	Air National Guard Procurement		Dollars in Millions
24	F-16	$ 353.4M	
	Initial Logistic System	106.3	
			$ 459.7
8	C-130H		190
6	C-12J		18
8	JT-3D (KC-135 Reengining)		32.3
40	ARN-101 Digital Avionics Systems (RF-4C)		22.7
12	FLIR Night Attack Systems (A-7)		55
	Combat Communications Equipment		31.2
50	Low-Smoke Engine Modification (F-4D)		5
	TAC Fighter Upgrade (A-7, F-4D)		25
			$ 838.9

Total ARNG and ANG $1,114.7

The third list is our minimum requirement.

Army National Guard Procurement	Dollars in Millions
136 TOW Vehicle Conversions	$ 29
Attack Helicopter (AH-64) Long-Lead Items	31
20 Chaparral Air Defense Missile Systems	40
Ground Weapons Simulators	2
Total	$ 102

Air National Guard Procurement	Dollars in Millions
8 C-130H Aircraft	$ 190
40 ARN-101 Digital Avionics Systems (RF-4C)	16
12 FLIR Night Attack Systems (A-7)	55
Combat Communications Equipment	31.2
Total	$ 292.2
Total ARNG and ANG	$ 394.2

In order to meet the readiness requirements that current war plans impose on Army and Air National Guard units, our Association feels that all of the procurement items listed in the fact sheets attached to our statement are required. We consider the third list displayed above to be the minimum level of add-on procurement that the National Guard should have in FY85.

DEFENSE BUDGET MUST BE MAINTAINED

General **Greenlief**. I would say to you, Mr. Chairman, that it is my personal very strong belief and the belief of my association that the President was right the first time. We need all that money in national defense in my view.

The art of the possible tells us that that is not all possible, and within that I will make recommendations to what it is our view are the highest priorities for additions to the Guard and Reserves. We believe that even with the reduction there must be additions to the Guard and Reserve or we ought to stop counting on them to perform as we currently count on them to perform.

The Army Guard is currently asked to perform missions in combat early time, D plus 60, which it cannot perform. I think that is a dangerous situation at best.

Senator **Stevens**. We do not disagree with you. We are fighting the battle of the budget right now. We were told by Mr. Volcker if we lopped off $150 billion of the budget for 3 years interest rates would come down 1 percent. We lopped $150 billion off the budget and the interest rate moved all right, but it moved up 1 percent last night.

We will just have to wait and see what happens over the period of time.

General **Greenlief**. I have a fair understanding of the problem and I am delighted that that problem rests with you rather than with me.

Senator **Stevens**. Thank you very much. [Laughter.]

General **Greenlief**. I thought you would like that.

Senator **Stevens**. Nice to see you.

General **Greenlief**. Thank you, sir.

Senator **Stevens**. We appreciate your help, and we are sincere about the priority list.

General **Greenlief**. Yes, sir.

Senator **Stevens**. Thank you.

Susan Kokinda of the National Democratic Policy Committee.

NATIONAL DEMOCRATIC POLICY COMMITTEE

STATEMENT OF SUSAN J. KOKINDA, NATIONAL DEMOCRATIC POLICY COMMITTEE

ACTIVITIES OF NDPC

Ms. **Kokinda**. Thank you, Mr. Chairman. I appreciate the opportunity to be here representing the National Democratic Policy Committee.

I would first like to tell you what we are. We are a multicandidate political action committee and membership organization which represents about 40,000 Democrats around the United States who in 1980 decided they were completely dissatisified with the existing leadership of the Democratic Party.

The NDPC was founded by Mr. Lyndon LaRouche to give those patriotic Democrats who do not like the appeasement policy——

Senator **Stevens**. This is Mr. LaRouche's organization?

Ms. **Kokinda**. Yes, it is. This is Mr. LaRouche's organization, and he has at this point about 2,000 candidates running for local office, school board, congressional offices, party positions, to try and change the political reality that you and the previous speakers have just been talking about, because we feel political reality has got to come——

Senator **Stevens**. With due respect, this is a military committee. Would you get to the military portion of this?

Ms. **Kokinda**. I am going to get to the military this very moment.

Senator **Stevens**. Thank you.

Ms. **Kokinda**. Political reality must come in line with strategic reality. There has been much talk here about what is politically possible. We feel what must become possible is what is absolutely strategically necessary.

GLOBAL AIMS OF SOVIET UNION

The Soviet Union is on a course for global showdown at this point. On March 23, 1983, last year, President Reagan offered them the most generous offer in postwar history. This is in the context of his so-called star wars speech, but it was his proposal for strategic defense in which he proposed to the Soviets—and it was subsequently proposed again by the Secretary of Defense—that the United States would consider joint deployment of defensive capabilities as a way of ending the reign of thermonuclear terror.

Strategic reality has been determined by that statement and by the Soviet overt rejection of that proposal in that time period. At the point that the Soviets rejected that most generous offer, the Soviets committed themselves to confrontation with the United States, and we believe that everything that has occurred in the interim—the shooting down of KAL-7, provocative actions on NATO's north flank, the Soviet activities in the Middle East, and Soviets efforts to decouple Europe from the United States—have been at peace with their decision to reject that offer to end the reign of thermonuclear terror.

As a result, what is demanded of the United States is to respond to that reality, not Paul Volcker's proposals about cutting the budget, not to appeasement pressures, and not to election year pragmatism. The United States must embark on a national defense mobilization.

MUTUALLY ASSURED SURVIVAL DOCTRINE

The cornerstone of that must be the change in strategic doctrine toward one of mutually assured survival, as implied by the strategic defense initiative, and away from the insanity of mutually assured destruction. From that standpoint, we have to not only implement the $1.8 billion proposed by the President in the strategic defense initiative, but instead that must be put on a fast track. We must embark on a Manhattan Project-style approach for that kind of capacity in the very near term.

The President's proposal at this point is a business as usual proposal. It can be accelerated and it must be accelerated.

Within that context, the entire strategic modernization must continue apace, and indeed must also be accelerated. This is the only adequate response to the Soviet posture at this point in time, and we are completely convinced that Americans, if given a straight shot and a straight answer in terms of what the threat is, will respond to that reality and will support what is necessary.

As well as the question of the strategic defense initiative and increasing and accelerating current strategic modernization, the same change in doctrine which is implied by the strategic defense initiative must also be extended to Europe, something that this committee has taken a great interest in.

But the efforts by the Soviets and their assets to distance Europe from the United States is very much fed by the adoption of the flexible response policy some years ago. The Europeans are not quite sure where they stand in the United States order of priorities.

STRENGTHENING OF NATO ALLIANCE

What must be done to rectify and to restrengthen the NATO alliance is to extend these policies of defensive capabilities to the NATO alliance. We must begin to move on a fast track to give Europe, No. 1, the neutron bomb, to give them adequate antimissile capabilities; that is, accelerating the current efforts to give them ROLAND-Patriot missiles, and to give them directed energy weapons for tactical purposes and for defense against the awesome IRBM Soviet threat.

Nothing short of this, and any talk of conventional buildup lacking this kind of orientation, is going to keep the NATO alliance together. This is absolutely demanded. And I might add, our colleagues in Europe, affiliates of the NDPC, have been very active in putting forward these policies over the past 8 months and have found a very strong response among the political and military leaders once they recognize that the United States is not pursuing a Fortress American policy.

This is what the strategic reality demands, and instead what the American population is hearing is the headlines of the Washington Post that we have to accept political reality, we have to cut our vital national security efforts, at the same time that they are seeing a reemergence of the man single-most responsible, I believe, for the collapse of U.S. national security in the recent period, the reemergence of Henry Kissinger in U.S. policy.

Americans I think are very disturbed by all of——

Senator STEVENS. What did you say? The reemergence of Henry Kissinger.

Ms. KIKINDA. Henry Kissinger. I think, first of all, his appointment to the Central American Commission, I think the President's placing him on the Foreign Intelligence Advisory Board some 3 weeks ago, and I think overall a general increase in influence in this election year by Mr. Kissinger on President Reagan's policies.

I think Americans perceive that and I think they are very unhappy about that. I think in part they elected Ronald Reagan because they did not want Henry Kissinger anywhere near the White House once again, and I think it is very much a subset of the kind of pragmatic election year politicking which is enveloping this town.

BUDGET DEFICIT

I would like to conclude my statement, however, with a comment about the budget deficit, because as you have said this unfortunately defines political reality in the United States. The NDPC firmly believes that you can cut all you want, you can cut defense, you can destroy U.S. agriculture, you can shut down the infrastructure projects, you can do whatever you want, and you are not going to solve the budget deficit, because you are not addressing the fundamental problem, which is that U.S. industry and agriculture since the late 1960's has been on a downward slide, while the overhead in our economy, the service sector and everything that goes with it, has been expanding massively.

Unless we have a massive redirection of Government-sponsored research and development and a redirection of our credit and our tax policies along the lines of the Apollo project, along the lines of the most high technology vectored activity, which the President's strategic defense initiative, the directed energy weapons technology, implies, unless you do that you cannot reverse the collapse of the U.S. economy.

That is why the budget deficit is out of control. And we firmly reject the notion that we have to destroy our national security or cut other vital Government programs on the altar of the budget deficit. It is a spurious argument. It is not going to solve the problem, and it is putting this country in peril.

That concludes my statement, Mr. Chairman. I appreciate the opportunity to present it.

[The prepared statement of Ms. Kokinda follows:]

PREPARED STATEMENT OF SUSAN J. KOKINDA
NATIONAL DEMOCRATIC POLICY COMMITTEE

Thank you for the opportunity to present the views of the National Democratic Policy Committee, which is a multi-candidate political action committee and membership organization, composed of approximately 40,000 members. In addition, over 2,000 citizens are running for public offices, ranging from local party positions to school board to U.S. Congress and Senate, on the program of the NDPC and its chairman emeritus, Lyndon H. LaRouche, Jr., an announced candidate for the Democratic presidential nomination. This grassroots, citizens' candidates movement--of Americans with no previous "political" experience or ambition--is expanding and deepening beyond all conventional expectations because American citizens perceive a total policy vacuum in Washington, D.C., on the life-and-death issues facing this nation.

They see the Administration bring one of the men most singly responsible for the U.S. slide into strategic inferiority back into policy influence--namely, Henry A. Kissinger. They see the Congress demanding cuts in a defense budget which is ALREADY INADEQUATE to meet Soviet strategic capabilities and intentions. And they see the true measure of U.S. national security--its heavy industrial base--lying prostrate in the face of an official Federal Reserve Board policy of usury. And so they are running for office, on the policies articulated by Mr. LaRouche in several, nationally broadcast policy speeches: the need for a national defense and economic mobilization modeled on that taken by President Franklin D. Roosevelt between 1939 and 1943 to meet the Nazi threat. I have appended the transcript of the call for a "National Defense Emergency Mobilization" to this testimony.

The deliberations of this subcommittee and this congress, on the whole, are taking place in a strategic never-never land, reminiscent only of Neville Chamberlain's "peace in our time" assurances. The Administration's proposed 13% increase was already too small in terms of the scope and the pace of the necessary strategic modernization and overall military buildup needs. The recently-arrived-at 7½% figure, which will undoubtedly shrink to the range of 4 to 5 percnet, is an unmitigated disaster in terms of military reality and in terms of the message that it sends the Soviet Union about U.S. resolve in this dangerous period.

ADOPT "MUTUALLY ASSURED SURVIVAL" DOCTRINE

The defense and economic mobilization which the NDPC is calling for must be premised on the rejection of the self-imposed Kissingerian doctrine of MAD and its cognate, flexible response, which the Soviets have never accepted as their own doctrine. It must be replaced with the implementation of "mutually assured survival" as introduced by President Reagan on March 23 in his historic call for the development of defensive technologies. Both before and since the March 23, 1983, speech, the NDPC has been rallying support for a Manhattan Project-type approach to rapid development and deployment of directed-energy weapons for ballistic missile defense. The administration's requested $1.8 billion for the Strategic Defense Initiative (SDI) is a "business-as-usual" approach and falls far short of the kind of "crash" effort so desparately needed in this area. Administration officials have stated in recent weeks that the Soviets are as much as 10 years ahead of the U.S. in some aspects of directed-energy weapons work. The evidence is mounting that the Soviets are on the verge of openly breaking out of Kissinger's ABM treaty with a vast array of conventional ABM capabilities. Coupled with an even rudimentary directed-energy ballistic missile defense , the Soviets would find themselves in a position of unchallengeable strategic superiority. Under such circumstances, the mere contemplation of cutting the request for SDI must be viewed by Americans as endangering U.S. national security in the extreme. The inadequacy of the Administration proposal is only slightly less dangerous.

Within the context of a fully-articulated change in strategic doctrine, the current strategic modernization must continue and accelerate, until such time as treaty negotiations with our adversary might allow for a reduction in offensive weapons under a defense-dominated regime.

In previous years, before this and other subcommittees, the NDPC has elaborated on the potential beneficial economic effects of a crash effort in the field of directed-energy technologies, in terms similar to the impact of the Apollo Project on the domestic economy in the 1970s. In strictly economic terms, spending for military activity is categorized as wasteful. But at the same time, one should look at a crash program for directed-energy technologies as a giant laboratory for the entire economy, with potentials for revolutionizing the way economic activity is conducted. It is in this direction, and in this direction alone, that the "budget deficit" can be addressed. Only a "technological jump start," fostered by government R&D, and directed credit and tax policies--just as was done between 1939 and 1943, can restore the economic base of the U.S And only a revitalized U.S. industrial and agricultural base, as opposed to the paper-magic of the current 'recovery,' will address the budget crisis. The current mania of "budget cutting" and tax increases is not addressing the fundamental problem of a rapidly-disappearing heavy industry and agricultural base.

EXTEND NEW DOCTRINE TO EUROPE

Concomittant with the rejection of the MAD doctrine, and the employment of directed-energy weapons systems must come parallel steps for restoring our relationship with our NATO allies and Japan. Rather than pursuing Henry Kissinger's invitation to Moscow to exercise hegemony over Europe, which is the import of his recent Time magazine essay, the U.S. should reject, once and for all, the doctrine of flexible response and unequivocally restore the U.S. nuclear umbrella over our allies. Europe as well must be given a "defensive" umbrella, with the provision of nuetron bombs and an acceleration of systems such as the Roland and Patriot missiles, while moving into the development and deployment of directed-energy weapons for tactical purposes and for defense against the massive Soviet IRBM threat. There is simply no way to redress the conventional imbalance in Europe without neutron bombs and directed-energy weapons. Talk of emphasizing a conventional buildup as a response to the Soviets, without these measures, is--like the Kissinger essay--an open invitation to the overwhelmingly conventionally superior Soviets to, de facto or de jure, takeover Europe.

NDPC supporters in the capitals of Western Europe have found strong support among military and political layers for such a strategy based on defensive technologies--once it is made clear that the U.S. has not embarked upon a Fortress America approach. The "NATO-bashing" rhetoric emanating from this subcommittee and from others in the Congress has not aided in alleviating that fear.

LaRouche Calls for National Defense Emergency Mobilization

Text of January 21 national television broadcast by Democratic Presidential Candidate Lyndon H. LaRouche.

Nearly two years ago, during a two-day seminar in Washington, D.C., I proposed a new strategic doctrine for the United States, to an audience which included Soviet officials as well as representatives of our government agencies. I proposed that we dump Kissinger's and McNamara's Flexible Response doctrine, and end the age of thermonuclear terror, through deploying the kinds of anti-missile defenses which science had made possible.

My proposals caught fire immediately among influential circles. With the knowledge of our government, I conducted exploratory discussions privately with Soviet representatives for a period of over twelve months. When Dr. Teller announced similar proposals in the fall of 1982, our news-media was no longer able to suppress the information about the fact of this discussion and the new doctrine from the American public.

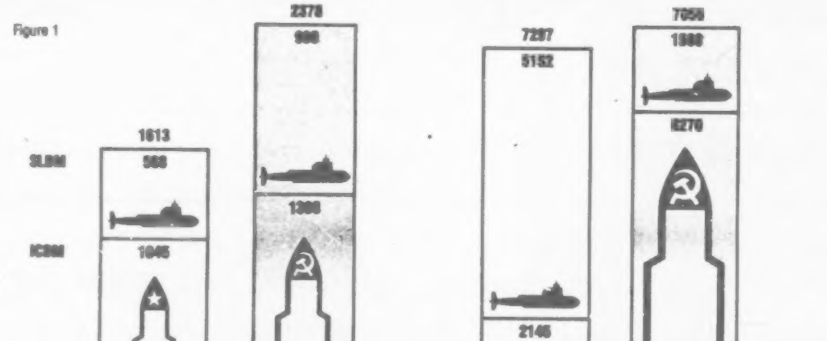
On March 23, our President not only announced such a new strategic doctrine for the United States itself; but in that same nationwide television broadcast, he offered to negotiate with Moscow to bring the age of thermonuclear revenge-weapons to an end. If the Soviet leaders had accepted the President's offer at that time, tonight you and your family could sleep in knowledge that the age of thermonuclear terror was being brought to an end.

But, the Soviet Union did not wish peace. They rejected our President's offer with a violence we have not seen from there since Nikita Khrushchev was kicked out. Soviet leader Yuri Andropov dropped out of sight in August and has remained so for nearly five months; in the meantime, a Soviet military junta has come to power over there. Since August, beginning with incidents including the shooting-down of the Korean civilian airliner on September 1, the Soviet rulers are moving step by step toward a global thermonuclear showdown with us—in Europe, in the Middle East, and elsewhere. At the same time, the Soviet KGB's First Directorate is deploying scads of terrorists into the United States itself. The situation today, in general, is far worse than it was at the outbreak of the Berlin crisis or the Cuba crisis under President John Kennedy.

Soviet leaders are very good in military planning. While Henry Kissinger and Robert McNamara have been brainwashing politicians and newspaper editors into the delusion that thermonuclear war is impossible, since 1962 Soviet leaders have been steadily and carefully and competently planning, building up Soviet forces to the point that Moscow could survive and win a thermonuclear war against the United States. My military advisers tell me that Moscow has not yet reached the level that it could actually guarantee itself a victory in a thermonuclear war against us. But, Moscow believes that its military superiority has grown so large that our President would have to back down to a thermonuclear confrontation if this occurred during 1984 or 1985.

Moscow believes the time has come, and has believed this since June 1981, that it no longer needs to negotiate on terms proposed by our government. At present, they have deployed military units designed to take over Scandinavia. At the same time in East Germany they have deployed units trained and equipped for the special task of taking over West Germany. Soviet puppets such as Syria and Iran are being used against us. Right on our southern borders, the Soviet KGB controls the leadership of an opposition political party in Mexico called the PAN, and through the PAN circles, drug-linked circles, the Soviet KGB is deploying terrorism directly into the United

Figure 1



Soviet Superiority in Strategic Missiles U.S. ☐ U.S.S.R. ☐

States. Moscow's policy at present can be fairly described as: "We do as we please; there is nothing you can do about it, except submit to our unconditional terms." Generals in Moscow dream the old Russian dream of Moscow as the world-capital of a new Roman Empire.

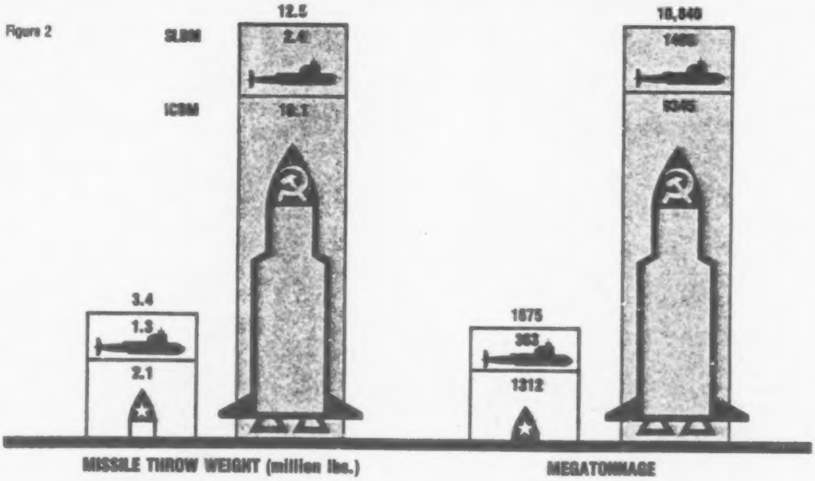
We must change this picture. As President Franklin Roosevelt said, so I say again to you today: we have nothing so much to fear as fear itself.

I must show you first the dark side, so that you understand what we must do, and why we must do it.

We'll go through five successive charts—three charts, a map, and another chart. And in this we'll look briefly at the overall balance in strategic missile capability between the United States and the Soviet Union today, as reported by agencies such as the London International Institute for Strategic Studies.

Now look first at this present chart (**Figure 1**). On the left we see a comparison of the number of launchers which the United States, the blue bar, and the Soviet Union have. The Soviet Union is slightly superior to the United States in the number of land-based and submarine-based launchers. The picture looks somewhat better as you go to the right set of bars. You see that the blue bar is almost as high as the gray bar, which means that we have almost as many warheads in service, ready for deployment, as the Soviet Union. You also see that our strategic strength is concentrated presently in our submarine-based missile systems. Whereas, the Soviet capability is concentrated largely in the land-based missile systems although their naval capability is rapidly increasing.

Figure 2



Sources; Keith Payne, *Nuclear Deterrence in U.S.-Soviet Relations*, Westview Press, 1982; International Institute for Strategic Studies, *Military Balance* series.

Now let's look at the second chart (**Figure 2**). Now you see in the second chart that the situation begins to look rather disastrous. On the left-hand side, we're comparing the number of millions of pounds of throw-weight of the two superpowers. And you see that we are outnumbered in that by an order of magnitude of more than 3 to 1. Now you look onto the right and compare the amount of megatonnage, effective megatons, which the Soviet Union and the United States, respectively, can deploy against the other. And you see here, for instance, that we have less throw-weight in megatonnage than the Soviet Union does in even the submarine fleet. The Soviet Union way outclasses us in megatonnage. The significance of this will come in a moment as we come to the map.

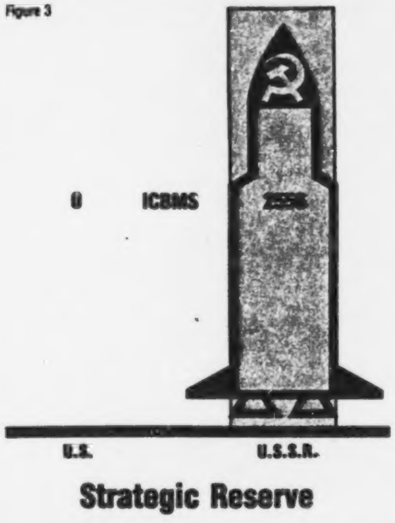
But let's proceed first to the next chart (**Figure 3**), which takes into consideration another factor which is not much discussed but very important in the long run. Now this third chart is not a mistake. There is no blue bar. This refers to the reserve missiles in the possession of the two superpowers. The United States has none. And you see that the Soviet reserve is in the same order of magnitude as a major component of their regular first-line deployed missile capability.

Now let's look at the map (**Figure 4**) and we'll discuss what that begins to mean. I show you this map to indicate a very particular problem. These deployments mainly indicate the position of the Soviet land-based missile force, strategic missile force. Now our strategic submarine system, based in large part under the Arctic ice, has the assignment to reach and destroy these missiles particularly with counterforce weapons. Now the point is that without rearming our submarine fleet, number one, with the Trident system of submarine launched ballistic missiles, we have a little bit of trouble in trying to reach these Soviet targets we have to. Number two, if we for some reason should have most of our submarines in the ports, the naval ports of the United States, or off-station, otherwise, or if the Soviets could knock out our submarines, then we'd be in very tough shape and the Soviets would have preponderance over us. I'll indicate to you in just a moment what the problem is there. The point is that we must have an upgrading of our Trident submarine system or we'll lose most of our strategic capability, and we must have, very quickly, hunter-killer attack submarines, both to hunt down Soviet submarines, but more importantly, to get rid of Soviet attack submarines which are trying to track, trail, and kill our submarines. We can go with that, and go to the next chart (**Figure 5**).

What I'm going to show you is the calculations made by my military advisers of what it would look like, in terms of weapons systems capabilities, after a first strike against the United States by the Soviet forces with presently known capabilities, and what the losses would be to the Soviet Union by our immediate response. And let's go now to the next picture on the same chart.

Now let's look at the percentile of the U.S. capabilities destroyed and then after that the Soviet capabilities destroyed under condition that the Soviets launch a pre-emptive first strike against the United States. In the event of a Soviet first strike of this type, my experts calculate that 90 percent of our land-based ICBMs would be destroyed by the Soviet Union in the first strike, plus 70 percent of our submarine missile capability plus, as *you* see, 80 percent of our strategic bomber capability. In this case, we see that the Soviet Union has expended only 15 percent of its land-based missile fleet to do this first strike and has expended, we see, only 40 percent of its submarine-based missile launched capability to do the first strike. This leaves us guess where.

Figure 3



Now on this point we'll just quote two sources as to why the United States was permitted to drift into this condition against the Soviet Union. First we'll quote from Henry Kissinger a passage from a press conference he delivered in Moscow in July 1974. And I quote Henry Kissinger. "What in the name of God," said Kissinger, "is strategic superiority? What is the significance," he said, "politically, militarily, operationally at these levels of numbers? What do you do with it?" So much for Kissinger.

Now let's go to the Carter administration, to a National Security Council official in the Carter administration in 1979. And I quote, "Even if the United States could attain strategic superiority it would not be desirable," he said. "Because I suspect we would occasionally use it in some very risky ways. It is in the United States' interest to allow the few remaining areas of strategic advantage to fade away." I suspect this is not really fading away that this man is talking about; he's talking about letting us fall into strategic inferiority.

This situation reminds us of the year 1938, when Prime Minister Neville Chamberlain returned from his pact with Adolf Hitler. [film clip]

Chamberlain: "I trust that all concerned will continue their efforts to solve the Czechoslovak problem peacefully, because on that turns the peace of Europe in our time.

"We regard the agreements signed last night and the Anglo-German naval agreements as symbolic of the desire of our two peoples never to go to war with one another again."

Today, there are many Neville Chamberlains in Europe and the United States. Moscow is bragging that these Nuclear Freeze sympathizers will pull out our President's teeth and drive Caspar Weinberger out of the Defense Department. This is Moscow's political "fifth column" in our news-media and in our political parties.

These Neville Chamberlains call our President a "warmonger." Soviet agents around the world whisper the lie that our President is a "new Hitler" and "worse than Attila the Hun." Soviet newspapers and stooges say that I am much more dangerous than our President. Moscow hates me because of the generous offer the President made to them on March 23, and because Moscow is afraid that I might rally you, the patriotic sons and daughters of our Democratic Party, to support the policies I report to you now.

1. The President must use his powers under our Constitution and statutes, to declare a National Defense Emergency Mobilization.

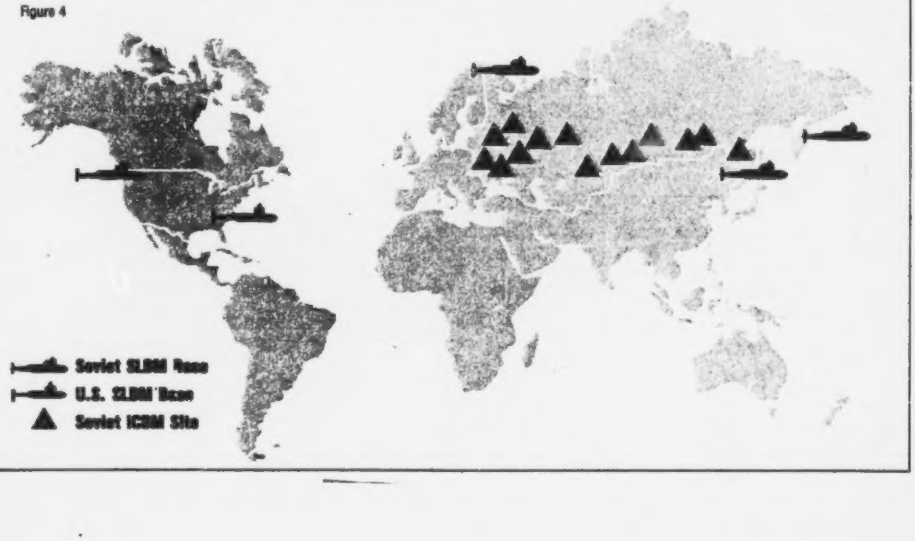
We must mobilize as President Franklin Roosevelt led us between 1939 and 1943. [film clip]

Roosevelt: "I should like to see this nation geared up to the ability to turn out at least 50,000 planes a year. I ask for an immediate appropriation of eight-hundred-and-ninety-six million dollars. And may I say that I hope there will be speed in giving the appropriation."

Our Federal Reserve should be federalized under Article 1, Sections 8 and 9 of our Constitution. Its power to print money and to operate an inflationary "Keynes multiplier" must be suspended for the duration. Congress must authorize an initial issue of $500 billions in Treasury gold-reserve money, at $750 per ounce of gold.

These gold-reserve currency-notes must be loaned at between 2% and 4% discount through our private banks for investments to put our idled farms, factories and unemployed to work producing needed physical goods.

Figure 4



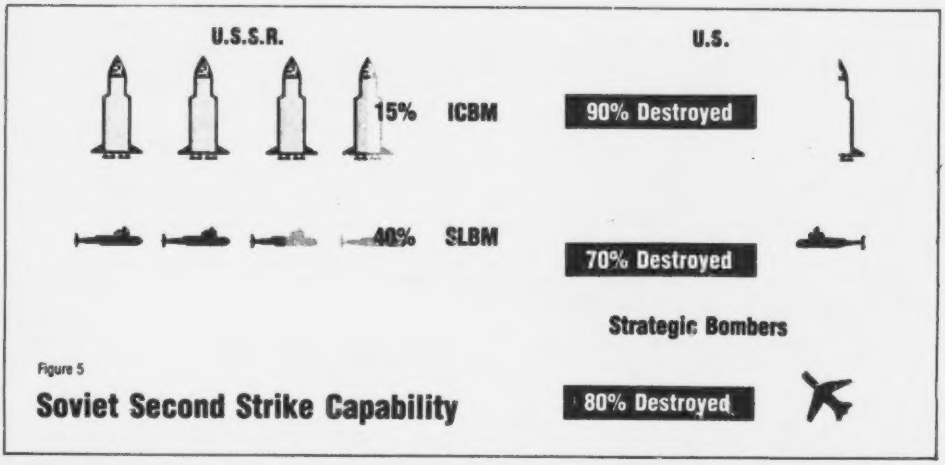


Figure 5

Soviet Second Strike Capability

2. The President must launch a $200 billions crash-program, like President Kennedy's successful Apollo space-program to give our nation a first-generation anti-missile shield by 1988.

3. The Congress must support a crash-program to fill up the gaping holes in our 1984-1985 defenses. The patriotic citizens of this country must force the members of Congress to support this.

4. We must change our policies toward our friends in Latin America and elsewhere immediately. We must negotiate a sensible reorganization of their debt-payments, at between 2 percent and 4 percent interest. We must pour in the needed capital-goods-exports for their economy's development—so they can meet these requirements, and so that we can increase industrial employment in the United States by about three million new jobs producing capital-goods for export.

During the recent ten years, we have been ruining and losing our friends in Europe, in Asia, Africa, and Latin America, at the same time that many politicians have been lying to you that we were giving away gigantic charitable contributions to other countries, most of which never arrived. If we do not change this policy, Moscow will take over the world piece by piece, and we will have no one to blame but ourselves.

For just a moment, forget the election-campaign. My duty, election or no election, is to be the leader of the patriots of the Democratic Party, to free this party of ours from the grip of Neville Chamberlains like Charley Manatt and Walter Mondale. My duty is to mobilize you to help save our nation in a moment of its greatest danger.

It is true that the Reagan administration has disagreed with me on the economy. I see our farms, factories, unemployed, minorities, and national defense as suffering from Paul Volcker's Federal Reserve policies. I ask you to support me to change that.

I disagree angrily with the policies of Henry Kissinger and our State Department toward Europe, Asia, Africa and Latin America. I ask you to support me in changing these policies.

Above all, I ask you to help me bring the friends and patriots of both parties into support of a bipartisan defense policy, and to rally our nation agianst the growing menace of international terrorism.

I hope that we can force Moscow to reconsider its foolish rejection of my own and our President's offer to end the age of thermonuclear terror. We must mobilize, yes: to convince Russia to abandon its mad nuclear adventures. But we must also continue to offer peace within the framework of the President's offer of March 23.

To those top Soviet officials who will be studying copies of this broadcast within the next days, I say this:

In my quest for peace between our countries, I have proven myself consistently forthright and honest with you. I have warned you accurately of the consequences of the events you have permitted to occur.

If the Kremlin's hierarchy chooses to punish or to ignore those who have borne the discussions with me, you Soviet leaders do so at your own peril. By now, you know, as my government knows, I do not deal from the bottom of the deck, and I am always open to honest dialogue.

To you my fellow-citizens, I say:

For the sake of our country, and everyone's grandchildren everywhere, help me now. If you are one of that majority which still cares about our country, telephone or write our President tonight. Tell him and the Congress that there are many, many patriots around this nation who will support a National Defense Emergency Mobilization. Do that tonight, and help to save this nation and the world from thermonuclear war.

Thank you and bless you all.

President Ronald Reagan, March 23, 1983, Televised address to the American people

Reagan: "Isn't it worth every investment necessary to free the world from the threat of nuclear war? I clearly recognize that defensive systems have limitations and raise certain problems and ambiguities. If paired with offensive systems, they can be viewed as fostering an aggressive policy, and no one wants that. With these considerations firmly in mind, I call upon the scientific community in our country, those who gave us nuclear weapons, to turn their great talents now to the cause of mankind and world peace—to give us the means of rendering these nuclear weapons impotent and obsolete."

Lyndon H. LaRouche, Dec. 31, 1983 address at Arlington, Va.

LaRouche: "The problem is the Soviet Union is committed, and manifests its commitment as of April of this year, to reject any of the kinds of negotiations which the President had indicated were offered and to commit itself to immediate thermonuclear crisis. The Soviet Union is preparing to risk thermonuclear war now. And the Soviet Union will not be deterred by what we do 3 to 5 years from now, it will only be deterred by what we do now.

"The only way to stop war is to increase the risks and penalties to the point that that bunch of scoundrels—who have only one element of rationality in them, and have proven that—that bunch of scoundrels is able to calculate risks and penalties of warfare. That's the only rationality and morality they have. And I will do whatever is necessary in the short run to increase those risks and penalties to the point they say, 'no confrontation'—and they're not going to negotiate until then.

"If anyone told you that the Soviet Union is interested in negotiating with the United States, they lied to you. The Soviet Union has had a policy of not negotiating on any substantive questions with the Reagan administration in power, since July 1982.

"What happened is the President's address of March 23 of this year did two things. It terrified the Soviets, because it implied to them that we had more clout in the United States than they thought we had. Second, this took the mask off their issue of the so-called Euromissiles. They immediately demonstrated they didn't care about the Euromissiles all along—who could blame them, they've got SS-20s, SS-21s, SS-22s, SS-23s, coming out all over the place. It is not the U.S. planting of Euromissiles in Europe which has enraged the Soviets. They don't give a damn about it. They don't care.

"We actually face a genuine war. They are perfectly capable of launching war. If there are certain rules or certain principles involved, there are certain conditions under which they won't and certain they will. But we're in the area, where, if I were President of the United States at this moment, I would have to crank this thing up and say, 'I may be fighting a war as of March. I hope I won't be. But I'm going be prepared.'

"When you're dealing with this crowd, you've got a military dictatorship in the Soviet Union now. They are rational on military policy—therefore I can only deal with them as realists. I have got to convince them that the United States will destroy them if they continue in this direction, but if they are willing to negotiate, we have a basis of negotiation. Just as Machiavelli specified the fundamental principle of strategy in his critiques of the ten books of Livy.

"Give them an out. We have a great, big beautiful out. The President gave it to them essentially on March 23. They turned it down. The best offer they'd ever had from the United States. They turned it down. Because they wanted war. They turned it down because they thought they could win. O.K. Now we have to get them back to the negotiating table. How? I didn't push them into this. I tried to stop it. And we succeeded in influencing the environment to the point the President made the offer. The President of the United States made the offer, and they turned it down. When they turned it down, they chose war. And when they chose war, they demonstrated their moral character, and you cannot assume that their moral character is other than they demonstrated it to have been when they chose war."

BUDGET RECOMMENDATIONS FOR DEFENSE

Senator RUDMAN. I have a very simple question, which requires a very simple and very short answer. In your statement you addressed the needs of the defense establishment and the technology acceleration that you recommend, and the maintenance of strategic initiatives. Do you have a number attached to that for this year's defense budget?

Ms. KOKINDA. For the defense budget itself?

Senator RUDMAN. Does Mr. LaRouche have a number that he proposes?

Ms. KOKINDA. I do not know if we have added it up. We have made a number of very concrete proposals, which I would be happy to provide for the record.

Senator RUDMAN. Do you have a total number?

Ms. KOKINDA. I am saying, I do not think we have added it up.

Senator RUDMAN. Well, that was my question.

Thank you.

Ms. KOKINDA. If I went back and added up the weapons systems we think needed to be accelerated, we could provide it for the record.

Senator STEVENS. Thank you very much.

Ms. KOKINDA. Thank you.

Senator STEVENS. Mr. Steinberg, president of the U.S. Council for an Open World Economy.

U.S. COUNCIL FOR AN OPEN WORLD ECONOMY

STATEMENT OF DAVID J. STEINBERG, PRESIDENT, U.S. COUNCIL FOR AN OPEN WORLD ECONOMY

BUY AMERICAN REGULATIONS

Mr. STEINBERG. Good morning, Mr. Chairman.

Senator STEVENS. Nice to see you again, Mr. Steinberg.

Mr. STEINBERG. Senator Rudman.

As in the past, my Council's concerns are with the total national interest. The Council does not act on behalf of any special interest. And as in my past experiences before your subcommittee—and I do appreciate this opportunity—our concern is with the Buy American regulations that affect defense procurement.

I know and you know that this is a policy issue that comes within the jurisdiction of a variety of congressional committees. But it seems to me that the issue falls between the cracks, and the action that we have been advocating and are today again advocating is not being taken.

Although I am a dedicated advocate of an open world economy and a deliberate, definitive free trade strategy—I am much more of a free trader than most free traders I know—I can accept Buy American regulations. I think Buy American rules and requirements may indeed be necessary in some cases.

My complaint is with the hodgepodge of Buy American regulations: the Buy American Act of 1983, the Executive order in 1954 which gave a 50 percent advantage to domestic suppliers in defense procurement, and a succession of special industry Buy American strictures which I know you are familiar with: textiles, specialty metals, more recently coal, and there are others.

I am not advocating that these Buy American rules be terminated. What I am advocating is that this year, in preparation for next year, the Congress ask the President to report to the Congress on the whole Buy American picture: What are these various requirements? Why are they still needed, if they are indeed still needed? Why do you need what I call micro Buy American requirements, namely on specific products, when you have a macro Buy American policy that affects all of defense procurement?

How do these special industry, these specific industry Buy American requirements, relate to other programs of Government assistance to these specific industries? Are there better ways to help these industries than through what I consider to be the simplistic route of Buy American regulation?

Now, as an alternative to asking the President to report to the Congress on this, you might directly ask the Office of Federal Procurement Policy in the Office of Management and Budget to address this question. I do know that not long ago, maybe a year or two ago, the Office of Federal Procurement Policy was trying to find ways of simplifying the Buy American Act. They were not addressing, as far as I could determine, the specific industry Buy American regulations.

[The prepared statement of Mr. Steinberg follows:]

U.S. Council for an Open World Economy
INCORPORATED

PREPARED STATEMENT OF DAVID J. STEINBERG

PRESIDENT

Congress and the Executive Branch for too long have neglected the need to reform the disjointed, ill-considered array of Buy American requirements affecting defense procurement. The purposes of this policy overhaul include combatting inflation, making the most effective use of scarce financial resources (thus helping to reduce the government's budget deficit), and making certain that Buy American aid to specific industries (if justifiable at all) is only one component of coherent strategies addressing the real problems of industries that need and deserve government help.

These procurement strictures consist of (1) the Buy American Act of 1933 (affecting government procurement across the board), supplemented by a 1962 executive order giving a 50 percent advantage, for balance-of-payments purposes, to domestic suppliers seeking defense contracts, and (2) an assortment of more-restrictive rules, established by Congressional initiative, mandating procurement of certain products from domestic industries alone (except for extraordinary circumstances). The best known of the specific-industry mandates involve textiles (since 1956) and products containing specialty metals (since 1972), including stainless steel (and stainless steel flatware per se).

Some products have been exempted from the general Buy American stricture by a multilateral trade agreement negotiated in the late 1970's, others by Congressional waivers in the interest of NATO standardization and interoperability. In addition, the Department of Defense obtained Congressional authority to purchase certain textile products from foreign sources in the interest of these NATO objectives. Waivers for NATO purposes (and generally to help "offset" foreign purchases of military equipment from the United States) were also obtained in 1977 for certain products containing specialty metals. These waivers were terminated in the defense appropriations act of 1981 under pressure from labor and management in the specialty-steel industry. The defense authorization bill for fiscal 1983, as passed by the Senate in 1982, restored these waivers, but this provision failed in the House and a less-than-adequate substitute was adopted by Congress. In 1983 legislation for fiscal 1984, Congress reinstated the 1977 waivers.

Congress has resisted efforts (1982) to restrict defense purchases of administrative motor vehicles for use outside the United States or Canada to "the lowest responsible bidder from the United States or the host nation" (on contracts exceeding $50,000). In 1982, a defense authorization amendment to prohibit choice of a non-U.S. supplier as sole supplier of any item of military equipment was, in its enactment form, restricted to major systems only, as defined by the Secretary of Defense. A 1982 bill to extend the Buy American requirement on defense procurement of food to packaged rations was not passed (however, definition of food in the Buy American stricture concerning defense procurement of such products is in litigation). A bill was introduced in 1983 to prohibit use, in U.S. Navy ships, of major components made outside the United States. The bill was still in committee as of mid-March 1984.

However, Buy American requirements were added in 1982 restricting to U.S.-mined coal or coke the defense procurement of such fuels for use at U.S. military installations in Europe, and in 1983 restricting to American-made products the defense procurement of hand or measuring tools. In 1983, Congress passed legislation (as part of H.R.3069, Supplemental Appropriations for Fiscal 1983 -- enacted as PL 98-63) prohibiting replacement for the CT-39 aircraft "from other than a United States firm and such replacement aircraft must be assembled in the United States and utilize an airframe manufactured in the United States."

We are told that the Department of Defense in 1984 is not seeking any modification of any Buy American requirement now in effect. This does not mean that reform of the Buy American strictures affecting defense procurement is not desirable, indeed necessary. In 1981, the Office of Federal Procurement Policy in the Office of Management and Budget initiated a project aimed at simplifying implementation of the Buy American Act. No action has been taken to secure such reform. Nor, anywhere in government, is there any reassessment of the specific-industry forms of Buy American requirements in defense procurement.

Lack of Coherent Industrial Policy

Buy American strictures in defense procurement are a policy hodgepodge. They are not components of coherent, well-designed policies of government aid to ailing industries, including specifically industries considered essential to defense mobilization. There is no periodic reassessment of these strictures in the interest of sound policy formation and the most efficient use of financial resources in this major sector of the government's budget. Nor is any Buy American requirement concerning the products of specific U.S. industries linked in any way to anything identifiable as coherent attention to the real problems and needs of the respective industries. For example, there is no coherent textile policy of this description, of which the Buy American requirement on textiles is a part; nor a coherent specialty-metals policy, of which the Buy American rule on specialty metals is a part. Nor does the government know what the Buy American requirements in defense procurement cost, their contribution to the strength of these industries, how long these measures may be needed, what alternative or supplementary measures may merit adoption, and why "micro", specific-product Buy American requirements are needed over and above the "macro" rules of overall Buy American standards.

Instead of coherent, cost-efficient strategies addressing the real problems of industries meriting government help, we have simplistic, costly concessions to political pressures for government protection against foreign competition -- and (with some exceptions) retention of these measures year-in and year-out, no matter the need for an all-out effort to solve industrial problems, increase industrial productivity, reduce subsidies, combat inflation and use most efficiently and productively the funds provided by American taxpayers. The cost-increasing, inflationary implications of Buy American requirements include the tendency of these rules to increase costs for U.S. manufacturers who, determined to seek defense contracts for any of the affected products, may find it necessary to incur special inventory and other expenses where production for defense contracts must be kept separate from non-defense production.

To the extent that these industries are essential to national security, there is all the more reason to deal incisively with their real problems. Subsidizing such industries through Buy American requirements or other import controls is thus, not only bad economics and shabby politics, but badly conceived attention to the mobilization base. To the extent that these industries need and deserve government help, such assistance should take the form of redevelopment strategies designed so to strengthen these sectors of the mobilization base that these industries might become viable without barriers against foreign competition (assuming they are not in this condition now). To the extent that any of these industries cannot survive without import barriers of some kind, yet must be preserved for legitimate national-security purposes, the American people have a right to know how, and how effectively, these import restrictions are helping to cure whatever problems warrant such government aid, and at what cost to the taxpayers (if such an estimate can be calculated at reasonable cost).

Easy recourse to import restrictions tends to divert attention from the tougher, more responsible task of carefully diagnosing the real problems and needs of industries that may need and merit government help. It is policy laziness we can no longer afford, involving costs (financial and otherwise) that get higher as years pass and as the need for policy perfection grows more urgent. The substantial increase in the defense budget, particularly at a time of massive budget deficits that must substantially be reduced, makes these reforms all the more necessary.

Plan Now for Fiscal '86

I am not asking for termination of the defense-related Buy American rules this year. Nor would I advocate their termination at any other time in ideological fulfillment of a belief in market forces and free trade. I am not unmindful of the political realities. Moreover, to remove them abruptly, without adequate preparation within the policy framework suggested above, would not be in the national interest. What I do urge at this time is that, in preparation for fiscal 1986 defense appropriations, Congress this year should ask the President to reassess the Buy American requirements affecting defense procurement and report to Congress early in 1985 on (a) the extent to which they serve the national interest and the real needs of industries that benefit from these requirements, (b) other steps being taken or that should be taken to strengthen these industries within the framework of a coherent industry-adjustment strategy, and (c) the cost of such strictures in defense procurement, in financial and other terms. In this request to the President and/or in other ways, Congress should ask the Office of Federal Procurement Policy in the Office of Management and Budget to add overhaul of defense-related Buy American policy to its policy canvas. As an alternative to requesting such assessments from the President and the Office of Federal Procurement Policy, Congress should consider calling upon the General Accounting Office to produce the assessment I have proposed.

Here is an opportunity for the government to launch an "industrial policy" with national-security implications -- a policy that addresses the real problems and needs of ailing industries that are currently the beneficiaries of Buy American assistance, phases-out Buy American subsidies that may no longer be needed, reduces the cost of national defense, promotes freer world trade (including the prospects for increased U.S. exports), and aims at the higher productivity so essential to America's international competitiveness. The Administration should undertake these reforms whether or not Congress requests them.

Approximately 25 years ago, the government imposed quotas on imports of petroleum in the supposed interest of national security. It did so without a coherent petroleum policy. The national-security clause of the trade legislation, under which these controls were imposed, did not require (and still does not require) such policy coherence, with systematic review of the policy's progress. That ill-considered, ill-fated approach to such an important issue is an important part of the story of national neglect, indeed national negligence, in the energy field. Isn't that import-policy debacle enough of a lesson on the deceptions and dangers of simplistically using import controls as a remedy for alleged industrial weaknesses? When will government ever learn?

The above proposals, which I have been articulating for many years, seem in certain respects to be endorsed by broad remarks and recommendations (not related specifically to defense matters) by the "Grace Commission" (President's Private Sector Survey on Cost Control, 1983) in its Report on Procurement/Contracts/Inventory Management.

PROPOSAL TO GAO

Senator **Stevens**. Let me tell you, we both have to go here. I will ask the staff to draw up a proposal to present to the GAO.

Mr. **Steinberg**. That was my next recommendation.

Senator **Stevens**. We will study it to see what they are and see whether they are cost effective, to determine whether the redundancy is adding to the cost of procurement, and to give us recommendations that might simplify the concept of Buy America.

I take it you are not exactly in favor of the domestic content legislation?

Mr. **Steinberg**. I am strongly opposed to that, sir.

Senator **Stevens**. I think we will do that.

I have been impressed also with the amount of boilerplate that is in a lot of these bills that deals with Buy America. They really do not coincide with some of the broader policies we have stated. But it would be interesting to get that. It would be, of necessity, limited to the impact in the defense field, so that is why we are making the request.

Mr. **Steinberg**. I understand that.

Senator **Stevens**. And we will make that request, Mr. Steinberg.

Mr. **Steinberg**. I was just going to recommend that the GAO be required to do this. I do appreciate your interest in it.

Senator **Stevens**. Thank you very much.

Any questions?

Senator **Rudman**. No.

Senator **Stevens**. Thank you, sir. It is nice to see you again this year.

SUBCOMMITTEE RECESS

The subcommittee will stand in recess until Wednesday, March 21 at 10 a.m., when it will reconvene to hear testimony on the fiscal year 1984 DOD pay and program supplemental.

[Whereupon, at 11:35 a.m., Tuesday, March 20, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, March 21, 1984.]

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1985

THURSDAY, MARCH 22, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:05 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Ted Stevens (chairman) presiding.

Present: Senators Stevens and Rudman.

NONDEPARTMENTAL WITNESSES

OPENING STATEMENT OF SENATOR RUDMAN

Senator **RUDMAN** [presiding]. Chairman Stevens will be along shortly to conduct the major portion of the hearing, but I will open so that we can save some time.

Today, the subcommittee will continue to receive testimony on our fiscal year 1985 Defense appropriations bill from witnesses outside of the Department of Defense. This is the second day of outside witnesses for the subcommittee.

On behalf of the subcommittee membership, I welcome all witnesses this morning. In order to accommodate all witnesses who will testify, we ask you to summarize your statement in 10 minutes or less, and file your written testimony for the record. Your testimony will be included in the hearing record in full.

Our first witness this morning is Dr. John Hamilton, chairman, Committee on Peer Review, the American Psychiatry Association.

If you would like to come forward, Doctor. Welcome to the subcommittee. Your entire statement will be incorporated into the record.

AMERICAN PSYCHIATRY ASSOCIATION

COMMITTEE ON PEER REVIEW

STATEMENT OF JOHN M. HAMILTON, M.D., CHAIRMAN OF THE AMERICAN PSYCHIATRY ASSOCIATION COMMITTEE ON PEER REVIEW

INPATIENT MENTAL HEALTH BENEFITS

Dr. **HAMILTON**. My name is John Hamilton, M.D., and I am chairman of the American Psychiatry Association's Committee on Peer Review. The American Psychiatry Association, a medical specialty society representing over 29,000 psychiatrists nationwide, is pleased to have this opportunity to testify in support of an adequate inpatient mental health benefit under the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS).

We urge the committee to continue its efforts on behalf of CHAMPUS beneficiaries with mental and emotional problems and to exercise its leadership through Appropriation Committee report language encouraging CHAMPUS to continue its peer review partnership with the American Psychiatry Association.

We understand and commend the committee's important role in the Nation's defense effort and the need for the critically important health care of that effort to be achieved in a medically necessary, yet cost-effectiveness manner. We thus appear before the committee to assure you that since 1974, with the advent of the psychiatric peer review partnership with CHAMPUS, mental health care costs have been effectively controlled without jeopardizing the mental health of CHAMPUS beneficiaries. Your recognition of the cost-effectiveness of psychiatric peer review was evident in last year's bill when you encouraged CHAMPUS to continue working with peer review.

We know that you would agree with us that the review of medical treatment plan outlining the necessary treatment to any mentally ill beneficiary should be a representative medical judgment as is the case with the existing peer review program, and not the view of one individual, such as would be created by the non-Federal health professional provision of section 931 of Public Law 98-94, the fiscal year 1984 Department of Defense authorization.

CONGRESSIONAL RESPONSE TO PUBLIC LAW 98-94

As you will recall, last year the APA appeared before this committee shortly after passage of Public Law 98-94 to ask for your assistance through committee report language, and seeking clarification of the word "extraordinary," and the phrase "a non-Federal health professional," the former to conform to medicine's clinical determination of such situations, and the latter to equate it with the existing peer review approach "which truly provides a representative medical judgment, and not the views of only one individual."

You responded most positively to these concerns, both in your report and in the conference committee report. You directed CHAMPUS to continue working with peer review in the waiver process because, in your words, "it retains the valuable involvement of professional psychiatrists and psychologists." We applaud you for your excellent judgment in this regard.

CHAMPUS CONFERENCE

In response to your fiscal year 1984 Defense Appropriation Act directive, CHAMPUS has sponsored a conference for the purpose of seeking provider group input in the development of clinically-acceptable waiver criteria for long-term inpatient care. I would like to report briefly on that March 6, 1984, conference, which the APA was pleased to cosponsor.

The participants represented the major professional associations as well as the three military services, and the Department of Health and Human Services. CHAMPUS presented a background to the 60-day cap and discussed the current criteria. The committee participants were not able to improve on those criteria, and essentially agreed with them as the best that could be attained under the current circumstances.

The attendees did express one major concern—the failure on the part of CHAMPUS to promulgate these criteria and explain them to both the CHAMPUS beneficiaries and the provider institutions. Mr. Chairman, we would appreciate your assistance in seeing that these criteria are promulgated by CHAMPUS and adequately explained to all parties concerned.

We do view this meeting as a positive step in the continuing partnership you have called for.

INPATIENT PSYCHIATRIC CARE

Mr. Chairman, we continue to be opposed to any arbitrary limitation on the provision of inpatient psychiatric care. Interestingly, the 60-day limitation, often expressed to be similar to that in the FEHBP, fails to note that a similar limitation is no longer existing in FEHBP.

Moreover, these arbitrary limitations of which the 60-day cap is one example, to a significant degree result from grave misperceptions about the nature and treatment of mental illness. The committee should be aware that mental illness, like physical illness, strikes at a wholely random fashion. We know of no evidence of any deliberate abuse of psychiatric treatment benefit when coverage is without limitation.

A large number of CHAMPUS patients receiving psychiatric benefits are psychotic, and a large number are dependent children and adolescents with severe emotional and behavioral disorders. It is a well-established fact that military life can cause or substantially contribute to significant psychiatric problems, and hence unsophisticated comparisons with civilian experience and the equation of this psychiatric benefit with that provided under Blue Cross/Blue Shield FEHBP are not entirely appropriate.

You should know that the CHAMPUS beneficiary population is entitled to care from the military hospital system, subject to the availability of space and facilities and to the capabilities of the medical and dental staff. Thus, a beneficiary of the military hospital care delivery system has a choice between care in a military mental health at the expense of the military hospital budget, or in a civilian hospital at the expense of CHAMPUS.

The realities of the situation are that if a beneficiary needs surgery, he or she is much more likely to get his or her care from a military facility than if he or she needs psychiatric care. Military hospitals do not have the staff or resources to provide comprehensive psychiatric services to the beneficiary populations to the same degree that they have surgical obstetrical or general medicine resources.

Even the seriously mentally ill active duty member is usually retired with disability and referred to the Veterans' Administration for long-term care, and also remains a CHAMPUS beneficiary. Thus, the 3.9 percent spent on mental and emotional conditions by the military hospital system is not indicative of utilization or need, but rather of the system's limited resources and the administration of benefits.

COSTS FOR MENTAL HEALTH CARE

To find out what the military health care delivery system's actual costs for providing mental health are, one needs to combine the cost of both the military health care and CHAMPUS subsystems, and then compare the results with other programs such as the Federal employees health benefits program.

For these reasons, we would hope that Congress would see fit to repeal, through the authorizing process, the arbitrary 60-day limitation on inpatient psychiatric care so as not to perpetuate the stigma and fear of mental illness and heighten the discrimination against the mentally ill. However, if repeal is not presently a viably legislative remedy, then APA believes that the Appropriation Committees should direct CHAMPUS to strengthen its already effective peer review partnership with the American Psychiatry Association to assure that patients continue to receive only medically necessary and appropriate treatment.

PEER REVIEW PROGRAM

We would like to share with you some accumulated information on the APA peer review program. During calendar year 1983, CHAMPUS had an estimated 18,000 psychiatric admissions which generated 1,205 requests for waivers. Thus, we may assume that some 93 percent of all psychiatric admissions were for periods of less than 60 days.

The 1,205 requests were processed as follows:

(a) 221 were found by CHAMPUS not to be subject to the limit; (b) 528 were returned by CHAMPUS due to insufficient information, and an unknown number eventually accepted after receiving the information; and (c) 517 were forwarded to the American Psychiatry Association for review.

Each of these 517 were then sent out to two psychiatrists for their individual review.

In each instance, the waiver request indicated the number of days over the initial 60 needed, in the opinion of the attending physician. The total number of days requested was 12,699. The psychiatrists review applied the CHAMPUS criteria and came up with the following recommendations:

(1) That the requested waiver be denied; or

(2) That the requested waiver be approved and the requested days be allowed; or

(3) That the requested waiver be approved but with a lesser number of days allowed.

The 517 cases resulted in recommendations that denied 6,789 days and approved 5,910 of the 12,699 requested.

One may view this data from two different perspectives, depending on one's orientation. Given the economic realities and health care cost concerns, we view this data as positive, both from the cost containment and adequate and appropriate treatment points of view.

Had there been an absolute cap of 60 days without the waiver provision, it is clear that CHAMPUS beneficiaries would have been faced with premature termination of their in-hospital benefits. With the waiver provision, however, some 6,000 days over the initial 60 days were recommended for CHAMPUS beneficiaries and the essential treatment could be continued or appropriate alternative arrangements made.

PEER REVIEW PROCESS

From the cost containment point of view, the peer review process resulted in recommendations that some 6,800 requested inpatient days not be allowed. While it is difficult to compute actual cost savings, we can make some estimations. If a day in a psychiatric bed costs on the average $300 per day, and the psychiatric care attendant to that hospital care costs on the average $50 a day, we would say that peer review "saved" the Government $2,380,000 during calendar year 1983 in this waiver process alone.

That is, of course, an oversimplification for many of the patients involved continue to receive psychiatric care in different settings. Many of the adolescents were placed in residential treatment programs, others were continued on outpatient treatment, and some, who were chronically disabled, were in all probability placed in nursing homes or State institutions where we would suspect that CHAMPUS continues to pay some part of the resultant costs but at a lower per diem rate.

ACUTE INPATIENT DAYS

The 6,800 acute inpatient days denied did not represent proposed abuse. All of the patients concerned were in need of some treatment. Given the criteria established by CHAMPUS, the reviewers concluded that continued care in an acute care hospital setting was not justified but frequently found that some level of care continued to be required by the patients.

I thought the committee might be interested in some of the demographics of the patients who were reviewed by APA, those 517. The full range of age and the number of waivers requested are in the written statement. As far as sexual distribution was concerned, there were 279 female as opposed to 232 male. Just over half of the patients were dependents of active duty personnel, 59 percent. It is worth noting that 74 percent involved individuals under the age of 21. Indeed, the largest number occurred in the 11 to 15 age group, and there were 196, pointing out the need for longer hospital stays for adolescents than for most adults.

PARTIAL HOSPITALIZATION BENEFIT

We also share this committee's concern in the development of partial hospitalization benefit in order to assure that those individuals who need greater supervision than can be provided by outpatient care, but who do not need the intensive 24-hour inpatient level of care, will have the necessary psychiatric services available to them.

All too often, our reviewers have concluded that the patient no longer needs the level of acute inpatient care, but could continue to receive appropriate care in a partial hospital setting. We understand and are pleased that CHAMPUS presently is developing a partial hospitalization benefit.

Mr. Chairman, we appreciate the committee's commitment to the belief that the CHAMPUS mental health benefit should be developed and refined with the continued professional involvement of the medical specialty of psychiatry through its highly effective and well-established peer review system, which continually seeks to assure that all patients only receive medically necessary care of high quality.

Thus, we seek inclusion in the committee report language accompanying the fiscal year 1985 DOD appropriation bill of the following language:

> For the purposes of implementing section 931 of Public Law 98-94, the committee expects the term "extraordinary" circumstances to conform to a medical clinical determination and be a representative medical judgment through the existing peer review, and directs that definition of these "extraordinary" circumstances governing waivers of the 60-day limit be developed by CHAMPUS pursuant to its current peer review contract with the American Psychiatry Association so that waivers would only occur in those cases where the condition is serious enough to justify continued hospitalization in accordance with the professional medical judgment of such an established peer review mechanism.
>
> The committee further directs the Department of Defense to issue regulations implementing this provision after developing the criteria in consultation with the peer review contractor, and inform both its beneficiary population as well as providers of psychiatric care as to the meaning and scope of these criteria.

Thank you, Mr. Chairman, for this opportunity to appear before your committee and we look forward to working with you in the development of a responsible psychiatric treatment benefit package for CHAMPUS beneficiaries.

Senator RUDMAN. Doctor, thank you very much for that very excellent testimony, and the excellent statistical presentation. I am sure we will find it helpful.

[The prepared statement of Dr. Hamilton follows:]

PREPARED STATEMENT

of the

AMERICAN PSYCHIATRIC ASSOCIATION

presented by

John M. Hamilton, M.D.
Chairman, Committee on Peer Review

My name is John M. Hamilton, M.D., and I am Chairman of the American Psychiatric Association's Committee on Peer Review. The American Psychiatric Association, a medical specialty society representing over 29,000 psychiatrists nationwide, is pleased to have this opportunity to testify in support of an adequate inpatient mental health benefit under the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS).

We urge the Committee to continue its efforts on behalf of CHAMPUS beneficiaries with mental and emotional problems and to exercise its leadership, through Appropriations Committee Report language, encouraging CHAMPUS to continue its peer review partnership with the American Psychiatric Association.

We understand this Committee's important role in financing the nation's defense effort and the need for the critically important health care component of that effort to be achieved in a medically necessary yet cost-effective manner. We thus appear before the Committee to assure you that since 1974 and the advent of the psychiatric peer review partnership with CHAMPUS, mental health care costs have been effectively controlled without jeopardizing the mental health of CHAMPUS beneficiaries. Your recognition of the cost-effectiveness of psychiatric peer review was evident in last year's bill when you encouraged CHAMPUS to "continue working with peer review."

Mr. Chairman, I would like to briefly summarize the recent legislative history surrounding the 60-day limitation on inpatient psychiatric care. As you know, Section 785 of P.L. 97-377, the FY '83 Department of Defense Appropriation Act, states that "none of the funds appropriated by this Act shall be available to pay claims for inpatient mental health services provided under the Civilian Health and Medical Program of the Uniformed Services in excess of sixty days per patient per year: Provided, That the foregoing limitation shall not apply to inpatient mental health services (a) provided under the Program for the Handicapped: (b) provided as residential treatment care; (c) provided as partial hospital care; (d) provided to individual patients admitted prior to January 1, 1983 for so long as they remain continuously in inpatient status for medically or psychologically necessary reasons; or (e) provided pursuant to a waiver for medical or psychological necessities, granted in accordance with the findings of current peer review, as prescribed in guidelines established and promulgated by the Director, Office of the Civilian Health and Medical Program of the Uniformed Services. This provision carried an effective date of January 1, 1983.

Section 931 of P.L. 98-94, the FY '84 Department of Defense Authorization Act, codified this provision with a modification providing for waivers of the 60-day limitation on inpatient psychiatric care "because of extraordinary medical or psychological circumstances that are confirmed by review by a non-Federal health professional pursuant to regulations prescribed by the Secretary of Defense." The language was unfortunately developed without any public hearings. We have communicated our opposition to this legislative language to the Armed Services Committees. We feel you would agree with us that the review of a medical treatment plan outlining necessary treatment to any mentally ill beneficiary, should be a representative medical judgment, as is the case with the existing peer review program, and not the view of one individual, such as would be created by the "a non-Federal health professional" provision. As you recall, last year the APA appeared before this Committee shortly after passage of P.L. 98-94 to ask your assistance through Committee Report language in seeking clarification of the word "extraordinary" and of the phrase "a non-Federal health professional," the former to conform to "medicine's clinical determination of such situations" and the latter to equate it with the existing peer review approach "which truly provides a representative medical judgment, not the views of only one individual." You responded most positively to these concerns both in your report and in the Conference Committee report. You directed CHAMPUS to continue to work with peer review in the waiver process because, in your words, "it retains the valuable involvement of professional psychiatrists and psychologists." We applaud you for your excellent judgment in this regard.

In response to your FY '84 Defense Appropriation Act directive CHAMPUS has sponsored a conference for the purpose of seeking provider group input in the development of clinically-acceptable waiver criteria for long-term inpatient psychiatric care. I would like to report briefly on that March 6, 1984 conference which the APA was pleased to co-host. The participants represented the major professional associations as well as the three military services and the Department of Health and Human Services. CHAMPUS presented the background to the 60-day limitation and waiver provision as well as the fiscal constraints faced by the program. The current criteria were discussed, and while the participants were not entirely in agreement with them they concluded that they were probably the best possible given the current circumstances.

The attendees did express one major concern -- the failure on the part of CHAMPUS to promulgate these criteria and explain them to both the CHAMPUS beneficiaries and the provider institutions. Mr. Chairman, we would appreciate your assistance through report language in seeing that these criteria are promulgated by CHAMPUS and adequately explained to all parties concerned.

We do view this meeting as a positive step in the continuing partnership you have called for.

Mr. Chairman, we continue to be opposed to any arbitrary limitations on the provision of inpatient psychiatric care. Interestingly, the 60 day limitation, often expressed to be similar to that in the FEHBP program, fails to note that such limitation no longer exists in FEHBP. Moreover, these arbitrary limitations, of which the 60 day limitation is but one example, to a signficant degree result from grave misperceptions about the nature and treatment of mental illness. The Committee should be aware that mental illness, like physical illness, strikes in a wholely random fashion. We know of no evidence of any deliberate abuse of the psychiatric treatment benefit when coverage is without limitation. A large number of CHAMPUS patients receiving psychiatric benefits are psychotic and another large number are dependent children and adolescents with severe emotional and behavioral disorders. It is a well-established fact that military life can cause or substantially contribute to significant psychiatric problems, and hence unsophisticated comparisons with civilian experience and the equation of this psychiatric benefit with that provided under Blue Cross/Blue Shield FEHBP are not entirely appropriate.

Unsophisticated comparisons with the military hospital patient population are equally inappropriate. You should know that the CHAMPUS beneficiary population is entitled to care from the military hospital system subject to the "availability of space and facilities and to the capabilities of the medical and dental staff." (Section 1076, Title 10, U.S. Code.) Thus, a beneficiary of the military hospital care delivery system has a choice between care in a military hospital at the expense of the military hospital budget or in a civilian hospital at the expense of CHAMPUS. The realities of the situation are that if a beneficiary needs surgery he/she is much more likely to get this care from a military facility than if he/she needs psychiatric care. Military hospitals do not have the staff or resources to provide comprehensive psychiatric services to the beneficiary population to the same degree that they have surgical, obstetrical or internal medicine resources. Even the seriously mentally ill active duty member is usually discharged and referred to the Veterans Administration for long-term care. Thus the 3.9 percent spent on mental and emotional conditions by the military hospital system is not indicative of utilization or need but rather of the system's limited resources and the administration of benefits. To find out what the Military Health Care Delivery System's (CHAMPUS and Military Hospitals) actual costs for providing mental health services are, one needs to combine the costs of both subsystems and then compare the results with other programs such as the Federal Employees Health Benefits Program.

For these reasons we would hope that Congress would see fit to repeal, through the authorizing process, the arbitrary 60-day limitation on inpatient psychiatric care so as not to perpetuate the stigma and fear of mental illness and heighten the discrimination against the mentally ill. However, if repeal is not presently a viable legislative remedy then the APA believes that the Appropriations Committees should direct CHAMPUS to strengthen its already-effective peer review partnership with the American Psychiatric Association to assure that patients continue to receive only medically necessary and appropriate treatment.

We felt that the most recent accumulated information on the APA peer review program would be helpful to the Committee when looking at the CHAMPUS mental health benefit. During calendar year 1983 CHAMPUS had an estimated 18,000 psychiatric admissions which generated 1,205 requests for waivers. Thus we may assume that some 93 percent of all psychiatric admissions were for periods of less than 60 days.

The 1,205 requests were processed as follows:

a) 221 were found by CHAMPUS not to be subject to the limit;

b) 528 were returned by CHAMPUS due to insufficient information. (an unknown number of these were eventually accepted upon receipt of adequate information);

c) 517 were forwarded to the APA for review.

Each of these 517 cases was then sent to two psychiatrists for their review.

In each instance the waiver request indicated the additional number of days over the initial 60 needed (in the opinion of the attending physician) to treat the patient. The total number of days requested was 12,699. The psychiatric reviewers applied the CHAMPUS criteria ((i.e., 1) the patient is a significant risk to self or a danger to others, or 2) the patient has medical complications and requires hospital care) and made one of several possible recommendations:

1) That the requested waiver be denied.

2) That the requested waiver be approved and the requested days be allowed.

3) that the requested waiver be approved, but that a lesser number of days be approved.

The 517 cases reviewed resulted in recommendations that denied 6,789 days and approved 5,910 of the 12,699 requested.

One may view this data from two different perspectives, depending upon one's orientation. Given the economic climate realities and health care cost concerns, we view this data as positive, both from the cost containment and adequate and appropriate treatment points of view. Had there been an absolute limitation of 60 days, without the waiver provision, it is clear that many CHAMPUS beneficiaries would have been faced with premature termination of their in-hospital benefits. With the waiver provision, however, some 6,000 days over the initial 60 days were recommended for CHAMPUS beneficiaries so that essential treatment could be continued or appropriate alternative arrangements made.

From the cost containment point of view, the peer review process resulted in recommendations that some 6,800 requested inpatient days not be allowed. While it is difficult to compute actual cost savings we can make some estimations. If a day in a psychiatric bed cost on the average of $300 per day and the psychiatric care attendant to that hospital care cost on the average of $50 a day we could say that peer review "saved" the Government $2,380,000 during calendar year 1983. That is, of course, an oversimplification, for many of the patients involved continued to receive psychiatric care in different settings. Many of the adolescents were placed in residential treatment programs. Others were continued in outpatient treatment and some who were chronic and permanently disabled were in all probability placed in nursing homes or state institutions where we would suspect that CHAMPUS continues to pay some part of the resultant costs but at a lower per diem rate.

We should acknowledge that the 6,800 acute inpatient days not allowed in no way represent proposed abuse. The majority, if not all, of the patients concerned were in need of some treatment, yet given the criteria established by CHAMPUS the reviewers concluded that continued care in an acute care hospital setting was not justified but frequently found that some level of care continued to be required by the patients.

I thought the Committee might also be interested in some demographic data on the patients whose care was subjected to peer review under the 60-day waiver provision. The ages of the 517 patients are as follows:

Age of Patient	Number of Requests for Waiver
5 - 10 years	42
11 - 15	196
16 - 20	145
21 - 25	35
26 - 30	17
31 - 35	24
36 - 40	13
41 - 45	10
46 - 50	2
51 - 55	9
56 - 60	5
61 - 65	5
Age Unknown	14
TOTAL	517

The sex of the patients was fairly evenly distributed with 279 female and 232 male. In six instances the documentation did not include the sex.

Just over half of the patients (59 percent) were dependents of active duty personnel. It is worth noting that 74 percent of the waiver requests involved individuals under the age of 21. The largest single group was the 11 - 15 age group verifying our prior concern that children and adolescents would be the most adversely affected by the 60-day limitation absent an effective peer review system.

We also share this Committee's interest in the development of a partial hospitalization benefit in order to assure that those individuals who need greater supervision than can be provided by outpatient care, but who do not need the intensive 24 hour inpatient level of care, will have the necessary psychiatric services available to them. All too often our reviewers have concluded that the patient no longer needs the level of acute inpatient care, but could continue to receive appropriate care in a partial hospital setting. We understand and are pleased that CHAMPUS presently is developing a partial hospitalization benefit.

Mr. Chairman, we appreciate the Committee's commitment to the belief that the CHAMPUS mental health benefit should be developed and refined with the continued professional involvement of the medical specialty of psychiatry through the highly effective and well-established peer review system to assure that all patients only receive medically necessary care of high quality.

Thus, we seek your inclusion in the Committee Report language accompanying the FY 1985 DoD Appropriation Bill of the following suggested language:

> "For the purposes of implementing Section 931 of PL 98-94, the Committee expects the term "extraordinary" circumstances to conform to a medical clinical determination and be a representative medical judgment through the existing peer review process, and directs that definition of these "extraordinary" circumstances governing waivers of the 60-day limit be developed by CHAMPUS pursuant to its current peer review contract with the American Psychiatric Association so that waivers would only occur in those cases where the condition is serious enough to justify continued hospitalization in accordance with the professional medical judgment of such an established peer review mechanism.
>
> The committee further directs the Department of Defense to issue regulations implementing this provision after developing the criteria in consultation with the peer review contractor, and inform both its beneficiary population as well as providers of psychiatric care as to the meaning and scope of these criteria."

Thank you, Mr. Chairman, for this opportunity to appear before your Committee and we look forward to working with you in the development of a responsible psychiatric treatment benefit package for CHAMPUS beneficiaries.

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

STATEMENT OF JOHN M. ESPOSITO, COCHAIRMAN, THE NATIONAL STEERING COMMITTEE FOR REPRESENTING CIVILIAN TECHNICIANS, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

FULL-TIME SUPPORT FOR RESERVE COMPONENTS

Senator **RUDMAN**. Mr. John M. Esposito, chairman, American Federation of Government Employees.

Your entire statement is here. It will be placed in the record. You may summarize it if you wish.

Mr. **ESPOSITO**. Sir, there is one thing that I would like to point out. Mr. Guarino, my colleague, has accompanied me and he does have have a statement to make, however, in the allotted time frame.

Senator **RUDMAN**. We have the summary statement here with both of your names on it, and it will so appear in the record.

Mr. **ESPOSITO**. Thank you.

Mr. Chairman, distinguished members of the committee thank you for the opportunity to be heard on the subject of full-time support for the Reserve components.

As representatives of the civilian technician workforce, and as drilling Army Reserve citizen-soldiers, we most urgently request that no funding be given in this or any other appropriations bill for continuing and/or addition for any full-time military positions known as either Active Guard/Reserve (AGR) or full-time manning (FTM) in support of the Army, Reserve, Army National Guard or Air National Guard, or to appropriate funds for any existing AGR or FTM position converted from a civilian status beyond the incumbent's present tour of duty.

In this vein, we urgently request that any civilian position converted to AGR status be reconverted to a civilian position at the expiration of the AGR/FTM incumbent's present tour of duty, including those civilian positions capriciously converted in district recruiting battalions. We further request that any language already written or about to be written be included as bill language due to the constant misapplication and/or noncompliance with congressional direction by the proponents of these full-time military programs.

This request is verified by the survey and investigative staff for the House Appropriations Committee in their report on this matter released in June 1983, and submitted with my entire statement for the record. This report included the negative aspects of the AGR/FTM program in the areas of cost, displacement of civilian technicians, displacement of drilling reservists and guardsmen, in other words, the citizen soldiers' stability and, indeed, readiness.

The former areas speak for themselves. I would, however, like to quote from the report on the readiness issue.

> Every command contacted by the investigative staff said that readiness had improved since more personnel were added to the components. However, most of these officials generally conceded that similar results could have been achieved with civilian personnel. However, most of these same officials pointed out that it was not possible to obtain additional civilians because of the Department's strength ceilings.

ELIMINATION OF CIVILIAN STRENGTH CEILINGS

As you are aware, this and the other body directed this restriction on civilian strength ceilings be eliminated for the civilian technician work force, and in addition authorized additional funding for 2,394 civilian technician positions in the Reserve component in order to alleviate this problem.

Mr. Chairman, to date this direction, as well as the direction approved by both bodies of the 98th Congress on the entire full-time issue has not been complied with. It is most imperative that additional civilian technicians be brought aboard in order to expedite the unit's daily multiareaed paperwork, save the American taxpayer from spending money, especially in this period of soaring deficits, wherein this spending does not increase unit readiness as readiness translates into a unit, and its member's ability to perform their military mission, and most important careers of drilling reservists and guardsmen, the staple of our Nation's defense, who already have a vested interest in their Reserve career, will not be involuntarily separated from the drilling Reserve program and placed into the IRR.

We believe those drilling reservists and guardsmen involuntarily separated due to the AGR/FTM programs will not return to military service during a period of conflict. Civilian technicians, who by terms of the employment, must be drilling reservists will not only lose their Reserve slot involuntarily, but will also become a status quo technician involuntarily through the loss of status as a drilling reservist.

Mr. Chairman, distinguished members of this committee, due to the fact that all Americans have a vested interest in the security of our Nation, it benefits all to stop an impractical, unproductive, unworkable, cost-prohibitive, full-time military program, and utilize the system that has proven itself for the past 40 years regarding civilian technicians, and for over 200 years regarding the citizen soldiers in time of peace and conflict. The prime beneficiary will be the security and well-being of the United States.

The graphs attached to this statement and submitted for the record illustrate the negative impact that these full-time military programs inflict upon civilian technicians, drilling reservists and guardsmen, and, we believe, the Nation's security as a whole.

Prior to Mr. Guarino's explanation of the graphs, be advised that a current proposal to place Army Reserve technicians within the parameters of excepted service, rather than the current, time-proven, competitive service, will have the same debilitating effects on drilling Army reservist citizen soldiers as does the AGR/FTM program. Implementation of excepted service would also violate or circumvent recent congressional language. Implementation of excepted service will dead-end the careers of all current civilian technicians in place. We urge this committee to utilize its influence to stop this proposal.

My distinguished colleague, Mr. Guarino, will now explain the graphs.

Senator RUDMAN. Thank you very much, Mr. Esposito.

[The prepared statement of Mr. Esposito follows:]

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

PREPARED STATEMENT

OF

JOHN M. ESPOSITO & RICHARD GUARINO
CO-CHAIRMEN OF THE NATIONAL STEERING
COMMITTEE REPRESENTING CIVILIAN TECHNICIANS

MR. CHAIRMAN, DISTINGUISHED MEMBERS OF THE COMMITTEE, THANK YOU FOR THIS OPPORTUNITY TO BE HEARD ON THE SUBJECT OF FULL-TIME SUPPORT FOR RESERVE COMPONENTS.

AS REPRESENTATIVES OF THE CIVILIAN TECHNICIAN WORKFORCE, AND AS DRILLING ARMY RESERVE CITIZEN/SOLDIERS, WE MOST URGENTLY REQUEST THAT NO FUNDING BE GIVEN IN THIS, OR ANY OTHER APPROPRIATIONS BILL FOR CONTINUING, AND/OR ADDITION OF ANY FULL-TIME MILITARY POSITION(S), KNOWN AS EITHER ACTIVE GUARD/RESERVE (AGR) OR FULL-TIME MANNING (FTM) IN SUPPORT OF THE ARMY RESERVE, ARMY NATIONAL GUARD AND AIR NATIONAL GUARD OR TO APPROPRIATE FUNDS FOR ANY EXISTING AGR/FTM POSITION CONVERTED FROM A CIVILIAN STATUS BEYOND THE INCUMBENT'S PRESENT TOUR OF DUTY. IN THIS VEIN, WE URGENTLY REQUEST THAT ANY CIVILIAN POSITION CONVERTED TO AGR/FTM STATUS BE RECONVERTED TO A CIVILIAN POSITION AT THE EXPIRATION OF THE AGR/FTM INCUMBENT'S CURRENT TOUR OF DUTY, INCLUDING THOSE CIVILIAN POSITIONS CAPRICIOUSLY CONVERTED IN DISTRICT RECRUITING BATTALIONS. FURTHER REQUEST THAT ANY LANGUAGE ALREADY WRITTEN OR ABOUT TO BE WRITTEN BE INCLUDED AS BILL LANGUAGE DUE TO THE CONSTANT MISAPPLICATION AND/OR NON-COMPLIANCE OF CONGRESSIONAL DIRECTION AND INTENT BY THE PROPONENTS OF THESE FULL-TIME MILITARY PROGRAMS.

THIS REQUEST IS VERIFIED BY THE SURVEY AND INVESTIGATIVE STAFF OF THE HOUSE APPROPRIATIONS COMMITTEE IN THEIR REPORT ON THIS MATTER RELEASED IN JUNE OF 1983, AND SUBMITTED FOR THE RECORD. THIS REPORT INCLUDED THE NEGATIVE ASPECTS OF THE AGR/FTM PROGRAM IN THE AREAS OF COST, DISPLACEMENT OF CIVILIAN TECHNICIANS, DISPLACEMENT OF DRILLING RESERVISTS AND GUARDSMEN, I.E., CITIZEN/SOLDIERS, STABILITY, AND, INDEED, READINESS. THE FORMER AREAS SPEAK FOR THEMSELVES, I WOULD, HOWEVER, LIKE TO QUOTE FROM THE REPORT ON THE READINESS ISSUE. "EVERY COMMAND CONTACTED BY THE INVESTIGATIVE STAFF (20) SAID THAT READINESS HAD IMPROVED SINCE MORE PERSON-

NEL WERE ADDED TO THE COMPONENTS. HOWEVER, MOST OF THESE SAME OFFICIALS GENERALLY CONCEDED THAT SIMILIAR RESULTS COULD HAVE BEEN ACHIEVED WITH CIVILIAN PERSONNEL. HOWEVER, OFFICIALS POINTED OUT THAT IT WAS NOT POSSIBLE TO OBTAIN ADDITIONAL CIVILIANS BECAUSE OF THE DEPARTMENT'S STRENGTH CEILINGS".

AS YOU ARE AWARE, THIS AND THE OTHER BODY, DIRECTED THAT THIS RESTRICTION, CIVILIAN STRENGTH CEILINGS, BE ELIMINATED FOR THE CIVILIAN TECHNICIAN WORKFORCE, AND IN ADDITION AUTHORIZED ADDITIONAL FUNDING FOR 2,394 CIVILIAN TECHNICIAN POSITIONS IN THE RESERVE COMPONENTS IN ORDER TO ALLEVIATE THIS PROBLEM.

MR. CHAIRMAN, DISTINGUISHED MEMBERS, TO DATE THIS DIRECTION, AS WELL AS THE DIRECTION APPROVED BY BOTH BODIES OF THE 98TH CONGRESS ON THE ENTIRE FULL-TIME SUPPORT ISSUE, HAS NOT BEEN COMPLIED WITH. IT IS MOST IMPERATIVE THAT ADDITIONAL CIVILIAN TECHNICIANS BE BROUGHT ABOARD IN ORDER TO EXPEDITE THE UNIT'S DAILY-MULTI-AREAD PAPERWORK, SAVE THE AMERICAN TAXPAYER FROM SPENDING MONEY, ESPECIALLY IN THIS PERIOD OF SOARING DEFICITS, WHEREIN THIS SPENDING DOES NOT INCREASE UNIT READINESS AS READINESS TRANSLATES INTO A UNIT, AND ITS MEMBERS, ABILITY TO PERFORM THEIR MILITARY MISSION, AND MOST IMPORTANT, CAREERS OF DRILLING RESERVISTS/GUARDSMEN THE STAPLE OF OUR NATION'S DEFENSE, WHO ALREADY HAVE A VESTED INTEREST IN THEIR RESERVE CAREERS, WILL NOT BE INVOLUNTARILY SEPARATED FROM THE DRILLING RESERVE PROGRAM AND PLACED INTO THE IRR. WE BELIEVE THOSE DRILLING RESERVISTS/GUARDSMEN INVOLUNTARILY SEPARATED DUE TO THE AGR/FTM PROGRAMS WILL NOT RETURN TO MILITARY SERVICE DURING A PERIOD OF CONFLICT.

CIVILIAN TECHNICIANS, WHO BY TERMS OF THEIR EMPLOYMENT MUST BE DRILLING RESERVIST WILL NOT ONLY LOSE THEIR RESERVE SLOT, INVOLUNTARILY, BUT WILL ALSO BECOME A STATUS-QUO TECHNICIAN, INVOLUNTARILY, THROUGH THE LOSS OF STATUS AS A DRILLING RESERVIST.

MR. CHAIRMAN, DISTINGUISHED MEMBERS OF THE COMMITTEE, DUE TO THE FACT THAT ALL AMERICANS HAVE A VESTED INTEREST IN THE SECURITY OF OUR NATION IT BENEFITS ALL TO STOP AN IMPRACTICAL, UNPRODUCTIVE, UNWORKABLE, COST PROHIBITIVE FULL-TIME MILITARY PROGRAM AND UTILIZE THE SYSTEM THAT HAS PROVEN ITSELF FOR THE PAST 40 YEARS, REGARDING CIVILIAN TECHNICIANS, AND FOR OVER TWO HUNDRED YEARS, REGARDING THE CITIZEN/SOLDIERS, IN TIME OF PEACE AND CONFLICT, THE PRIME BENEFACTOR WILL BE THE SECURITY AND WELL BEING OF THE UNITED STATES.

THE GRAPHS ATTACHED TO THIS STATEMENT AND SUBMITTED FOR THE RECORD, ILLUSTRATE THE NEGATIVE IMPACT THESE FULL-TIME MILITARY PROGRAMS INFLICT UPON CIVILIAN TECHNICIANS, DRILLING RESERVISTS/GUARDSMEN, AND WE, BELIEVE, THE NATION'S SECURITY AS A WHOLE.

PRIOR TO MR. GUARINO'S EXPLANATION OF THE GRAPHS, BE ADVISED THAT A CURRENT PROPOSAL TO PLACE ARMY RESERVE TECHNICIANS WITHIN THE PARAMETERS OF EXCEPTED SERVICE RATHER THAN THE CURRENT, TIME PROVEN, COMPETITIVE SERVICE, WILL HAVE THE SAME DEBILITATING AFFECTS ON DRILLING ARMY RESERVISTS CITIZEN/SOLDIERS, AS DOES THE AGR/FTM PROGRAM. IMPLEMENTATION OF EXCEPTED SERVICE WOULD ALSO VIOLATE OR CIRCUMVENT RECENT CONGRESSIONAL LANGUAGE.

IMPLEMENTATION OF EXCEPTED SERVICE WILL DEAD END THE CAREERS OF ALL CURRENT CIVILIAN TECHNICIANS IN PLACE. WE URGE THIS COMMITTEE TO UTILIZE ITS INFLUENCE TO STOP THIS PROPOSAL.

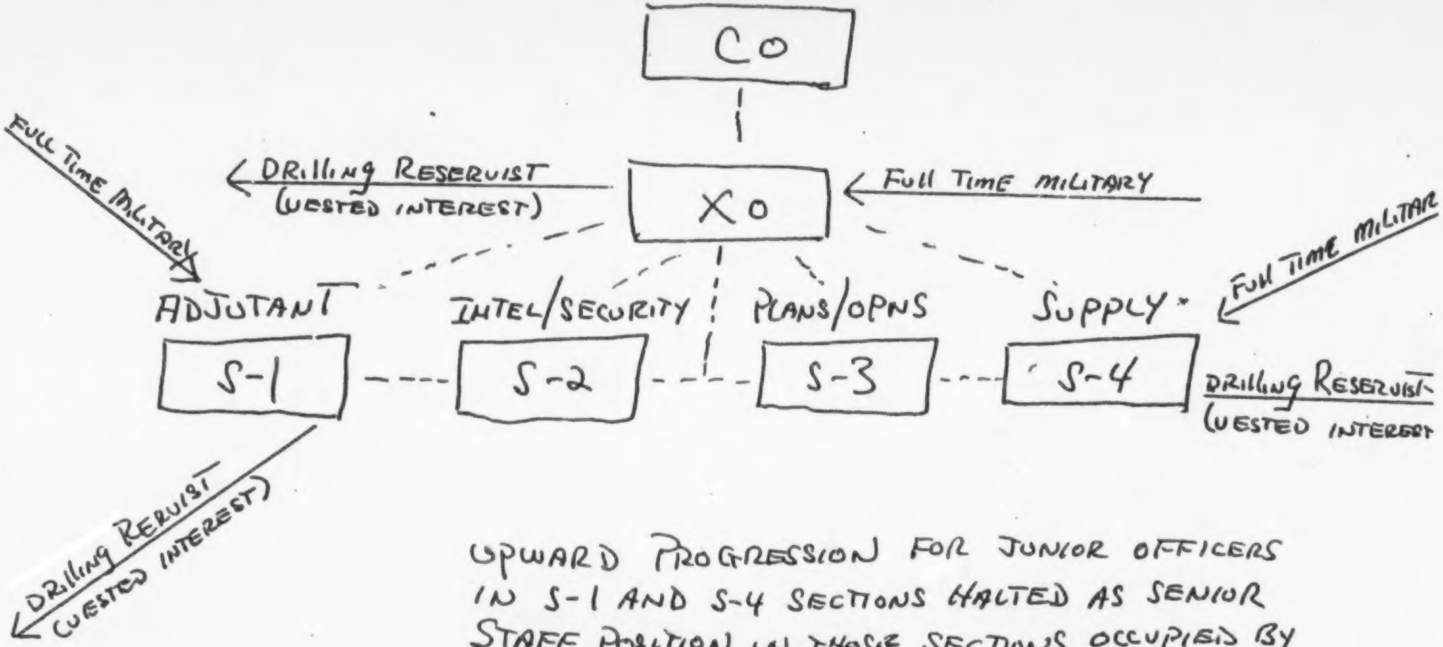
MY DISTINGUISHED COLLEAGUE, MR. RICHARD GUARINO, WILL NOW EXPLAIN THE GRAPHS.

MOS - 71L

(MILITARY OCCUPATION SPECIALTY)

E-7	71L40	← FULL TIME MILITARY DRILLING RESERVIST → (VESTED INTEREST)
E-6	71L30	
E-5	71L20	
E-4	71L10	
E-3	71L10	
E-2	71L10	
E-1	71L00	

UPWARD PROGRESSION CEASES FOR ENLISTED POSITIONS BELOW E-7 DUE TO FULL-TIME MILITARY IN E-7 POSITION


CO
XO
DRILLING RESERVIST (VESTED INTEREST)
FULL TIME MILITARY
FULL TIME MILITARY
FULL TIME MILITAR
ADJUTANT
INTEL/SECURITY
PLANS/OPNS
SUPPLY
S-1
S-2
S-3
S-4
DRILLING RESERVIST (VESTED INTEREST
DRILLING RERVIST (VESTED INTEREST)

UPWARD PROGRESSION FOR JUNIOR OFFICERS IN S-1 AND S-4 SECTIONS HALTED AS SENIOR STAFF POSITION IN THOSE SECTIONS OCCUPIED BY FULL-TIME MILITARY. UPWARD PROGRESSION FOR S-2 AND S-3 HALTED AS XO POSITION FILLED BY FULL-TIME MILITARY

CONVERSION OF TECHNICIANS FROM CIVILIAN TO MILITARY POSITIONS IN THE ARMY RESERVE AND ARMY NATIONAL GUARD DEPARTMENT OF DEFENSE

June 6, 1983

MEMORANDUM FOR THE CHAIRMAN

Re: Conversion of Technicians from
Civilian to Military Positions
in the Army Reserve and
Army National Guard
Department of Defense

By directive dated March 24, 1983, the Committee requested an investigation of the conversion of technicians from civilian to military positions in the Army and Air Force. This report covers the conversion of positions in the Army Reserve and Army National Guard.

Respectfully submitted,

C R Anderson

Robert C. Quigley, Director
Surveys and Investigations Staff
House Appropriations Committee

C. R. Anderson
Chief of the Surveys and
Investigations Staff
House Appropriations Committee

SUMMARY

Historically, the administrative, supply, maintenance, and other support for the Army Reserve and National Guard has been provided by one or more full time civilian employees who were called civilian or military technicians. Technicians are counted against the Department of Defense's (DOD's) end strength ceiling set by the Office of Management and Budget (OMB) and the Congress. Also, authorization for technicians is shown separately for funding in the operations and maintenance appropriation for the Reserve components.

Evolution of the Active Guard/Reserve Program

In April 1976, the Defense Manpower Commission recommended that technicians be replaced by reservists or guardsmen serving on active duty--Active Guard/Reserve (AGR's). The Commission concluded that replacing all the technicians with AGR's could save more than $270 million annually in direct pay costs (FY 1975 dollars).

On June 21, 1978, the House Appropriations Committee recommended that a test be made among the Army and Air Force Reserves to determine whether the Reserves could attract and retain qualified AGR's. On September 11, 1980, the House Appropriations Committee directed that no additional technicians be converted to AGR's before March 31, 1981, so that the Committee could review DOD's evaluation report on the conversion test.

On December 30, 1980, DOD submitted a report to Congress on the conversion test. The report stated, "the difference in cost between converting all technician positions to AGR or maintaining the then existing technician positions was insignificant (about $20 million DOD-wide)". The report recommended that the technician program not be eliminated and that DOD and its components be authorized the flexibility to program and budget technicians and full time military positions in the type and mix they believed would achieve the best combination of full time resources.

In November 1981, the House Appropriations Committee, concurring with the DOD report, approved the recommendation that each reserve component would be free to determine the appropriate mix of AGR's and technicians. The joint Continuing Resolution for FY 1983 included a section prohibiting further conversions of technicians. It reaffirmed that cost was clearly intended to remain a principal factor in determining the appropriate mix of technicians and full time military as set forth in the DOD Appropriation Act of 1975. The conference managers stated that the intent of the language in the joint continuing resolution was to put a stop to conversion of military technicians and specifically to cover the 43 military technician Senior Staff Administrative Assistant positions in the Army Reserve which were scheduled to be eliminated on October 1, 1982.

The Chief, Army Reserve, is responsible for determining manpower requirements for the Army Reserve in coordination with the Commanding General, U.S. Forces Command (FORSCOM). The Manpower Division of the National Guard Bureau (NGB) allocates support personnel hiring authority, and announces grade ceilings to each state.

Army Regulation 135-18 covers policies and procedures for selecting, using, and administering Army National Guard and Army Reserve AGR's. A revised regulation, effective June 15, 1983, updates responsibilities and prescribes new management policy for the AGR force.

Costs of Technician Conversion Program

Consultant Cost Analysis

In October 1982, Management Consulting and Research, Inc. (MCR) reported that there were only slight differences between current technician staffing costs and costs of AGR staffing of the same number of positions. MCR also pointed out that although converting some positions from technician to AGR results in small savings, such conversions do not mean that AGR staffing is more or less costly; rather, it depends upon the grade structure of respective changes. MCR said that detailed, up-to-date cost analysis of the specific conversion program planned by each component must be conducted.

GAO Analysis of MCR Study

In January 1983, GAO analyzed the MCR study and said the MCR study should not be used by DOD to demonstrate that conversions from technician to AGR positions would be cost effective. They agreed with the MCR conclusion that conversion costs would depend upon the military grade equivalent for each technician pay grade, which had not yet been established by Reserve components for positions planned for conversion. GAO said the MCR study appeared to be a reasonable guide in determining conversion costs only after Reserve components have determined precise military grades of AGR positions to be established after converting technician positions.

Actual Cost of Converted Positions

The Investigative Staff obtained data on the actual before and after grades of individuals who converted in 10 State National Guards and 10 major Reserve commands and computed the cost of converting the positions. The computed data showed that it cost about $5.5 million and $5.1 million more respectively to convert to AGR positions in the Army Guard and Army Reserve. Only the Georgia National Guard of the 20 units analyzed showed a saving through the conversion. In the remaining State Guards the costs of the conversions ranged from $185,712 to $1,825,604 and average cost per conversion ranged from $1,418 to $6,543. In the Reserve units the total cost of conversion ranged from $128,222 to $830,079, and the average cost per conversion ranged from $4,932 to $9,652.

In the 10 State Guards it costs 12 percent more to pay a converted AGR than to pay a technician (including drill pay) and in the 10 Reserve commands it costs 31 percent more to pay a converted AGR than a technician (including drill pay). In some cases, individuals received a significant increase in total compensation by making the conversion. For example, in one State Guard an individual converted from a GS-7 making $32,817 to a Chief Warrant Officer making $54,154--an increase of $21,337. In one Reserve unit, an individual converted form a GS-9 making $40,877 to a Lieutenant Colonel making $65,395--an increase of $24,518. In only a small percentage of the cases did an individual lose money by making the conversion, and these generally involved wage grade personnel.

Based on the sample data, the projected annual costs of the conversions in all the State Guards and Reserve commands to date are $18.5 million and $23 million, respectively.

Improved Readiness of the Guard and Reserve

Full-Time Support

In the late 1970's, the Department of the Army began providing additional full-time support to the Guard and Reserve components through the full-time manning (FTM) program. The staffing of the program was made up of active component soldiers as well as guard and reserve soldiers on active duty. The objectives of FTM were to: (1) improve readiness in selected reserve units; (2) provide additional full-time military personnel in skills to improve training, administration, personnel, maintenance and supply; and (3) improve unit mobilization/deployment planning and preparation.

Program Status

Army National Guard

By the end of FY 1983, the Army National Guard plans to have a total of 37,226 full-time support personnel including 22,557 technicians (61 percent). By the end of FY 1988, the Army National Guard plans to have 54,426 full-time support personnel, an increase of 17,200 or 46 percent over FY 1983. The military presence in the Army National Guard (AGRs) is projected to grow from 39 percent of the full-time support in FY 1983 to 59 percent of full-time support in FY 1988.

In addition to the added strength, the National Guard Bureau is also in the process of realigning the types of duty performed by the civilian and military full time support personnel. Ultimately, the Bureau intends to move all technicians out of the unit support activity.

Army Reserve

By the end of FY 1983, the Army Reserve plans to have a total of 13,250 full-time support personnel including 6,753 technicians (51 percent).

A review of the current POM discloses the Army Reserve plans to have 18,558 full-time support personnel by the end of FY 1988, an increase of 5,308 or 40 percent over FY 1983. About 6,753 or 36 percent of the positions will be technicians. Thus the military presence in the Army Reserve is projected to grow from 49 percent of the full-time support in FY 1983 to 64 percent of the full-time support in FY 1988.

The Army Reserve is also realigning the type of duty performed by the civilian and military personnel.

The Army Reserve would like to move all technicians out of the unit support activity and reduce the total number of civilians in all aspects of the full-time support program. In addition, the Army Reserve is in the process of filling other key positions throughout the reserve commands with FTM personnel. Also, the Army Reserve is attempting to replace the 44 civilian Senior Staff Administrative Assistants (SSAA) within the major Army Reserve commands with Active or Reserve Component Colonels called Assistant Deputy MUSARC Commanders.

Need for Additional FTM

Every command contacted by the Investigative Staff (20) said that readiness had improved since more personnel were added to the components. However, most of these same officials generally conceded that similar results could have been achieved with more civilian personnel. However, officials pointed out that it was not possible to obtain additional civilians because of the Department's strength ceilings.

Almost all units said they could use additional full-time personnel to further increase readiness. However, basically both the Guard and Reserve units generally indicated they did not care whether the additional full-time support personnel were military or civilian, as long as they were qualified. Many of the components said they would like to have the flexiblity to determine which to hire on a case-by-case basis.

Regarding future growth of FTM, some Guard officials did not see the need for FTM in all the Guard's 3,369 company size units, especially when some of the lower priority units do not have proper equipment for training. Further, these same officials do not see the need for the large increase in personnel in the maintenance area.

Many Guard and Reserve officials additionally expressed concern that the FTM program was filling too many management and supervisory positions rather than subordinate-worker positions. Several officials commented, "They are giving us too many chiefs and not enough Indians."

Complications of the FTM Program

While the FTM may have improved readiness, the infusion of military personnel in the Guard and Reserve has created problems for both the technicians and drilling reservists.

Displacement of Technicians

The conversion and FTM programs have thoroughly disrupted the technician program in the Guard and Reserve. Individual technicians who did not qualify for or care to participate in the conversion program do not see a future for the program and many are seeking employment elsewhere. Many technicians see people performing parts of the job they used to perform and making more money. Other technicians are supervising AGR's who are making more money than themselves. Technicians believe that under the current military thinking they have no place in the troop unit (program). Thus the current programs, rather than building on the key members of Guard and Reserve components, seek to relegate these positions to other tasks and establish a new unit support system.

Displacement of Guardsmen and Reservists

In November 1981, the House Appropriations Committee directed that FTM's and technicians would have a mobilization assignment with the unit they support. When the FTM's were subsequently assigned mobilization slots which complimented their FTM slots it created a situation of "double slotting," i.e., the mobilization positions were filled with both FTM's as well as reservists. Since double slotting meant that two people were being paid for the same job and only one of the two could occupy the position on mobilization, Congress, in the Continuing Resolution for the FY 1983 Appropriations, directed that Guard and Reserve components eliminate the practice.

In January and February 1983, the National Guard Bureau and FORSCOM, respectively, notified units that were drilling double slotted guardsmen or reservists that these were to be displaced by AGR's. Displaced reservists were given the options of finding a vacant position; cross training; transfering to another unit; being carried on the rolls for 1 year to find a vacancy; or being terminated. Thus, through the elimination of double slotting, career guardsmen and reservists holding key positions in their units are being eliminated. Also, since peers in other local units are likewise being displaced, their chances of finding a vacancy in another unit are unlikely.

In addition to displacing career reservists, the placement of AGR's in key positions blocks the career progression of other drilling reservists. According to several of the Guard and

Reserve officials the blockage of career progression has already had a detrimental effect on morale.

Questionable Management of the Full-Time Unit Support Program

Program Justification

Army personnel consistently cited the following reasons as justification for replacing technicians with full time AGR's: (1) the technicians' 40-hour work week; (2) union problems; (3) status quo technicians; and (4) disciplinary problems.

Most of the units visited expressed little concern with the 40-hour work week for technicians and no one cited any specific instance where it adversely affected the unit's mission. In fact, numerous examples were presented of technicians' voluntarily contributing more than 8 hours a day because work needed to be done.

Similarly, most of the units visited said they had no problems with labor unions or that union activities were a nonissue. Several officials said that they had "heard of union problems in the Northeastern part of the country", but were not so affected.

According to FORSCOM, as of December 31, 1982, about 30 percent of the 3,371 technician positions at the troop unit level were status quo technicians, i.e., those who would not deploy with their units. While status quo technicians may be a hindrance there is provision for reassigning such technicians. Army Regulation 140-315 provides that in the case of technicians who lose military membership for reasons outside their control, the Reserve is to make a continuing effort to reassign these technicians to other nondual status positions or to jobs outside the technician program in a geographic area acceptable to them.

According to Army Reserve personnel, this provision of the regulation has never been applied to the status quo technicians.

Several officials noted that civil service regulations make it difficult to discipline or remove technicians, whereas AGR's are subject to the Uniform Code of Military Justice (UCMJ) and can be disciplined or removed in a more timely manner. The Investigative Staff visited 20 commands and only 4 cited any significant disciplinary problems with technicians. Moreover, some technicians said that it took just as long to bring disciplinary action against an AGR under the UCMJ as against a technician under the civil service procedures. In fact, there were questions in some cases as to who would bring charges against an AGR under UCMJ because he has no military superior who could bring the charges at his unit.

Program Implementation

Army National Guard

Officials in every state visited said the National Guard Bureau's (NGB) implementation of the conversion and full time manning programs was not organized or timely. Officials said the constantly changing guidance has caused chaos in the units, that many good technicians are seeking other employment, and some AGR's are considering reverting to technician status. An official in one state said, "the KGB could not have done a better job of disrupting the Guard. They rushed in too fast and screwed it all up."

One of the most detrimental aspects of the National Guard Bureau's implementation of the programs is that it has now determined that most of the positions which have been converted are overgraded. This situation occurred because the NGB gave no guidelines on the grades of the positions that were to be converted when it inaugurated the program in March 1979. Consequently, the individual State Guards independently established the military grades of the converted positions. In a subsequent appraisal of the grade structure, the NGB determined that the States were overly generous in assigning grades to the positions. For example, the percentages of overgraded converted positions in some States is as follows: Alabama 73 percent, Texas 70 percent, California 68 percent, Illinois 64 percent, and Washington 60 percent. NGB then determined that the positions have to be downgraded and this has caused some further morale problems.

Army Reserve

Many of the Army Reserve units also were dissatisfied with the implementations of the conversion and full time manning programs. Several officials indicated that FORSCOM tried to "ram the programs down our throats."

Although unit commanders were supposed to have input into the composition of the FORSCOM model for their units, several reserve officials objected to what they considered uniform application of FORSCOM's model to their unit. They felt that FORSCOM's insistence on adding all military as full time manning personnel and its movement toward replacing all technicians at the unit level was costly and disruptive. Many personnel said they were satisfied with the way their civilians were performing and wanted the flexibility to determine the mix of military in their units.

In any event, the existence of civilians and military positions in the same unit--with the resultant dual management structures--has created confusion, morale problems, and uncertainties about a career ladder for either of the positions.

Stability of the Guard and Reserve

The introduction of the conversion program and full time manning and resultant infusion of military personnel has raised questions regarding the normal rotation of military personnel and its impact on the stability of guard and reserve units. Traditionally, the civilian technician was the corporate memory of and brought cohesion to the unit. The replacement of the technician and augmentation of the unit with military personnel who are subject to rotation every 3 years concerned most of the components visited by the Investigative Staff.

Civilian Versus Military Control Over the Guard and Reserve

Based on comments made by DOD officials and responsible military officers during the course of this investigation, it appears the intent of FORSCOM and the National Guard Bureau is to replace all technicians at the troop unit level with AGR personnel and augment the units with additional AGR and active duty personnel. At higher level units they would place military personnel in day-to-day charge of the units at the expense of civilian personnel. Thus over a short period of time--at least in the Army Reserve--the active Army's role has gone from advising, to supporting, to day-to-day control.

I. INTRODUCTION

A. Directive

By directive dated March 24, 1983, the Committee requested an investigation of the conversion of technicians from civilian to military positions in the Army and Air Force Reserve and National Guard.

B. Scope of Inquiry

This aspect of the investigation, which addresses the conversion of applicable positions in the Army Reserve and Army National Guard, was conducted at the Department of Army and National Guard Bureau in Washington, D.C. National Guard officials were visited in the states of Alabama, California, Georgia, Illinois, Massachusetts, New Jersey, New York, Ohio, Pennsylvania, Texas, Virginia, and Washington. The Investigative Staff visited Forces Command (FORSCOM), Fort McPherson, Georgia; the headquarters of the Fifth and Sixth Armies at Fort Sam Houston, Texas, and Presidio, California, respectively, and the following Army Reserve Commands (ARCOM's) and selected units thereof:

- 63d ARCOM, Los Alamitos, California
  - 139th Ordinance Battalion, Santa Ana, California
  - 129th Evacuation Hospital, San Diego, California
  - 8th Brigade, 40th Armor, Tucson, Arizona

- 77th ARCOM, Flushing, New York
  - 8th Medical Brigade Headquarters, Flushing, New York
  - 1208th General Hospital, Flushing, New York

- 79th ARCOM, Willow Grove, Pennsylvania
  - 1/315th Infantry Battalion, Bristol, Pennsylvania
  - 157th Headquarters Infantry Brigade, Horsham, Pennsylvania
  - 157th Infantry Support Battalion, Edgemont, Pennsylvania
  - 330th Engineer Battalion, Worcester, Pennsylvania

- 83rd ARCOM, Columbus, Ohio
  - 307th Medical Group, Columbus, Ohio
  - 364th Engineer Group, Columbus, Ohio

- 86th ARCOM, Forest Park, Illinois
  - Headquarters, 7/1st Field Artillery Battalion, Forest Park, Illinois
  - 7/1st Field Artillery, Battery B, Forest Park, Illinois
  - 7/1st Field Artillery, Service Battery, Forest Park, Illinois

- 90th ARCOM, San Antonio, Texas
  - 311th Aviation, Grand Prairie, Texas
  - 244th Transportation, Grand Prairie, Texas

- 94th ARCOM, Hanscomb AFB, Massachusetts
  - 283rd Terminal Transportation Company, Boston, Massachusetts

- 99th ARCOM, Pittsburgh, Pennsylvania

- 121st ARCOM, Birmingham, Alabama

- 124th ARCOM, Seattle, Washington
  - 2nd Hospital Center, Hamilton, California

The 80th Training Division, Richmond, Virginia, and 98th Training Division, Rochester, New York, were also visited.

Army Reserve and Guard officials were interviewed. Reports, studies, program documents, and manning reports were reviewed.

Also, specific cost data relating to positions converted at various Army Reserve and Army National Guard units were obtained and analyzed.

C. Background

Army Reserve and Army National Guard units generally meet one weekend per month and 15 additional days for annual training. Historically, the administrative, supply, maintenance, and other support for the reservists and guardsmen was provided by one or more full time civilian employees who were called civilian or military technicians.

The National Guard Technicians Act of 1968 (Public Law 90-486) required that technicians be members of the National Guard unit in which they work as a condition of employment and be separated from employment upon loss of membership in the National Guard. National Guard technicians are in the excepted service and must have a military job compatible with their technician position.

There is no similar statutory authority for the technician program in the Army Reserve. The program originated in the 1950's and the status of Army reserve technicians was spelled out in a memorandum of understanding between the Department of the Army and the former Civil Service Commission. A 1970 memorandum of understanding between the two agencies required that technicians in the Army Reserve be members of the Reserve units in which they work to the maximum practicable extent.

Technicians are counted against the Department of Defense's (DOD's) end strength ceiling set by the Office of Management and Budget (OMB) and the Congress. Also, authorization for technicians is shown separately for funding in the operations and maintenance appropriation for the Reserve components.

II. EVOLUTION OF THE ACTIVE GUARD/RESERVE PROGRAM

A. Congressional Involvement

The DOD Appropriation Authorization Act of 1975 (Public Law 93-365) directed DOD to use the least costly form of manpower that was consistent with military requirements and other needs of DOD as follows:

> "It is the sense of Congress that the Department of Defense shall use the least costly form of manpower that is consistent with military requirements and other needs of the Department of Defense. Therefore, in developing the annual manpower authorization requests to Congress and in carrying out manpower policies, the Secretary of Defense shall, in particular, consider the advantages of converting from one form of manpower to another (military, civilian, or private contract) for the performance of a specified job."

In April 1976, the Defense Manpower Commission, in a report to the President and the Congress, recommended that technicians be replaced by reservists serving on full time active duty--Active Guard/Reserve (AGR's). The transition program was to include provision for technicians to immediately convert to active duty military status in their unit or continue in civilian capacity for a fair and equitable time. The Commission concluded that replacing all the technicians with AGR's could save more than $270 million annually in FY 1975 direct pay costs.

On June 1, 1977, in House Report 95-451, the House Appropriations Committee proposed phasing out the technician program and prohibiting employing or replacing technicians after October 1,

1977. The Report noted the following problems with technicians versus AGR's.

-- AGR's could perform the same tasks and responsibilities at less costs than technicians;

-- technicians could receive 2 or more retirement checks when an AGR would receive one;

-- since there was no statutory authority for requiring Army Reserve technicians to be members of their units, some technicians were no longer Reserve members and would not mobilize with their units (such reservists are referred to as "status quo");

-- technician labor union activities might dilute command authority and adversely affect the responsiveness of Guard and Reserve units;

-- split supervision over technicians by military and civilian personnel may cause different demands on the technician's time;

-- reservists often feel technicians have an unfair advantage over them because the technicians work more closely with the unit commander;

-- technicians affiliation with one unit limits their ability to broaden their knowledge and experience;

-- neither the Navy or the Marine Corps Reserve uses technicians, but relied on regular active duty personnel and AGR's.

On June 21, 1978, the House Appropriations Committee Report on DOD's Appropriations Bill for FY 1979 (House Report 95-1398) recommended that a test be made among the Army and Air Force Reserves to determine whether the Reserves could attract and retain qualified AGR's. The Reserves were to fill all vacancies which occurred in positions held by status quo technicians with AGR's. In addition, the Reserves were to fill all positions not manned at the end of FY 1978 and all new positions added to the structure in FY 1979 with AGR's.

On February 26, 1979, GAO reported to the Secretary of Defense (FPCD-79-18) that the Army Reserve's technician program was not fully achieving its objective of increasing mobilization readiness because 26 percent of the technicians were assigned as drilling reservists to military positions in units other than the one in which they were employed and 20 percent were status quo technicians.

In its report on DOD's Appropriation Bill for FY 1980 (House Report 96-450), the House Appropriations Committee directed termination of the conversion test on June 30, 1980, and required that DOD submit a detailed report to Congress by December 31, 1980, summarizing test results and making recommendations for the future of the program.

On September 11, 1980, the House Appropriations Committee's report on DOD's FY 1981 Appropriations Bill directed that no additional technicians could be converted to AGR's before March 31, 1981, so that the Committee could review DOD's evaluation report on the conversion test.

B. Conversion Test Results

On December 30, 1980, DOD submitted a report to Congress on "Test Conversion of Civilian Technicians". The report showed that 4494 AGR's were hired by the Army Reserve and Army National Guard as a result of the conversion test. The report also included the following findings:

-- the qualifications of those in AGR status were essentially the same as those in technician status;

-- there were no substantial incidents where union activity affected readiness to a significant degree;

-- morale problems occurred because of job security uncertainties in the technician and AGR programs;

-- the difference in cost, considering all entitlements--including retirement pay--between converting all technician positions to AGR or maintaining the then existing technician positions was insignificant (about $20 million DOD-wide).

The report concluded that (1) technicians should be retained as part of full-time support, (2) increasing the number of technicians would not be feasible unless the policy of constraining the number of Federal civilian employees is changed, and (3) necessary full-time support increases could be achieved only by increasing active component regular military personnel or AGR's. The report recommended that the technician program not be eliminated and that DOD and its components be authorized flexibility to program and budget technicians and full-time military positions in type and mix they believe will achieve the best combination of full-time resources.

On November 11, 1981, the House Appropriations Committee issued its report on DOD's FY 1982 Appropriation Bill (House Report 97-333), which provided that each reserve component would be free to determine the appropriate mix of AGR's and technicians. It also provided that full-time military and technicians would have a mobilization assignment with the unit they support and be mobilized and deployed with that unit. It further provided that, as a policy, similar skills within a reserve component would be standardized as either technicians or full-time military.

The Continuing Resolution for FY 1983 included a section prohibiting further conversions of technicians and contained the following explanation for the action:

> "In fiscal year 1982, congressional report language directed the Department of Defense to let each reserve component be free to determine the appropriate mix of full time military and military technicians. It has come to the managers' attention that this language has been interpreted to mean that cost should not be a principal factor in the determination of the appropriate mix. The managers wish to reaffirm that cost is clearly intended to remain a principal factor in this determination as set forth in Public Law 93-365 (DOD Appropriation Authorization Act of 1975), which directed DOD to 'use the least costly form of manpower that is consistent with military requirements and other needs of the Department of Defense.'* * *
>
> "The language in the joint resolution is intended to put a stop to conversion of military technicians, by whatever means that may be accomplished administratively. It, therefore, is intended specifically to cover the 43 military technician Senior Staff Administrative Assistant positions in the Army Reserve now scheduled to be eliminated on October 1, 1982."

Congress also established the following floors of technician positions: Army Reserve--6,753, and Army National Guard--22,557.

C. Organizational Responsibilities

Army Regulation 140-315 establishes policies and procedures for the employment, utilization, and separation of Army Reserve technicians. The Deputy Chief for Personnel (DESPER) is responsible for managing the program and approving policy and maintaining regulatory control of the program in coordination with the Chief, Army Reserve. The Chief, Army Reserve, is responsible for determining manpower requirements in coordination with the Commanding General, U.S. FORSCOM.

FORSCOM is responsible for: (1) implementing Army policy through operation of the technician program; (2) developing manpower requirements and insuring the proper allocation of technician spaces and funds to units in accordance with headquarters Department of Army guidance; (3) recommending policy and regulatory control changes to DCSPER; and (4) developing standardized job descriptions.

National Guard Regulation 600-5 sets forth the objectives, principles, policies and procedures for support personnel management in the Army National Guard. The Manpower Division of the National Guard Bureau allocates maximum support personnel hiring authority for each state. DOD's appropriation authorizations establish grade ceilings for AGR's in the National Guard. The Manpower Division of the National Guard Bureau announces grade ceilings to each state.

Army Regulation 135-18 covers policies and procedures for selecting, using, and administering Army National Guard and Army Reserve AGR's. A revised regulation, effective June 15, 1983, updates responsibilities and prescribes new management policy for the AGR force.

The Chief of Staff, Army (CSA) is responsible for authorizing the addition or deletion of AGR positions on the Army Staff and its staff support agencies. DCSPER is responsible for: (1) advising the CSA on AGR personnel matters; (2) developing overall Army AGR personnel policy together with the Chief, National Guard Bureau, and Chief Army Reserve; (3) serving as the Army coordinator and point of contact for AGR personnel matters; and (4) resolving AGR personnel policy and jurisdictional disputes.

The Chief, National Guard Bureau, and Chief, Army Reserve, under overall Army policy, are responsible for developing and implementing policies and procedures for efficient management and effective use of the Army National Guard and Army Reserve personnel forces. The Commanding General, U.S. Army Reserve Components Personnel and Administration Center (RCPAC) is responsible for administering centralized Army Reserve personnel functions.

III. COSTS OF TECHNICIAN CONVERSION PROGRAM

A. Consultant Cost Analysis

On October 29, 1982, Management Consulting and Research, Inc. (MCR) submitted its report on "Cost Analysis of Full-Time Support to the Reserve Components of the Army and Air Force" to the Office of the Deputy Assistant Secretary of Defense (Reserve Affairs). MCR found that there were only slight differences between current technician staffing costs and costs of AGR staffing of the same number of positions. MCR showed that the conversion costs for 600 Army National Guard positions was 2 percent less than the technician costs, a savings of only $245,110. MCR noted that for the Army National Guard and Army Reserve, AGR grades were typically estimated to be lower than military reserve grades of technician positions to be converted.

MCR also pointed out that although converting some postions from technician to AGR results in small savings, such conversions do not mean that AGR staffing is more or less costly; rather, it depends upon the grade structure of respective changes. MCR said that detailed, up-to-date cost analysis of the specific conversion program planned by each component must be conducted. MCR also stated that comparative costs depend upon comparative grade structures and that cost-effective full-time support programs can be developed with that purpose in mind.

B. GAO Analysis of MCR Study

In January 1983, GAO analyzed the MCR study in an Information Paper which was submitted to the Subcommittees on Defense, House and Senate Appropriations Committees; Subcommittee on Military Personnel and Compensation, House Committee on Armed Services; and Subcommittee on Manpower and Personnel, Senate Committee on Armed Services. GAO said that, to the extent that the grade structures estimated by the National Guard for their conversions is correct, the MCR study could be used to determine conversion costs after several technical weaknesses were corrected. GAO noted that the military costs were underestimated because they did not include cost to Government of loss of tax revenue which occurs because AGR's allowances are not taxed, and certain indirect costs of AGR personnel. GAO also said that MCR could have computed a more accurate estimate of military retirement pay by using separate normal cost percentages for officers and enlisted personnel.

GAO said the MCR study should not be used by DOD to demonstrate that conversions from technicians to AGR positions would be cost effective because conversion costs will depend upon the military grade equivalent for each technician pay grade, which had not yet been established by Reserve components for positions planned for conversion. GAO said the MCR study appeared to be a reasonable guide in determining conversion costs only after Reserve components have determined precise military grades of AGR positions to be established after converting technician positions.

C. Actual Cost of Converted Positions

The Investigative Staff obtained data on the actual before and after grades of individuals who converted in 10 of the State National Guards and 10 of the major Reserve commands visited and computed the cost of converting the positions. The computed data showed that it cost about $5.5 million and $5.1 million more to convert to AGR positions in the Army Guard and Army Reserve, respectively. Only the Georgia National Guard of the 20 components analyzed showed a saving through the conversion. In the remaining State Guards the costs of the conversions ranged from $185,712 to $1,825,604 and the average cost per conversion ranged from $1,418 to $6,543. In the Reserve components the total cost of conversion ranged from $128,222 to $830,079, and the average conversion costs ranged from $4,932 to $9,652. The following tables show the costs of converting the technician positions to AGR's in Army Guard and Reserve components from which information was obtained:

ARMY GUARD CONVERSION COSTS

Guard State	Converted Technician Military Pay	Technician Civilian Pay and Drill Pay	Net Difference	Average Cost Per Conversion
Alabama	$4,017,632	$3,585,114	$ 432,518	$3,353
California	8,806,713	6,981,109	1,825,604	6,543
Georgia	5,438,773	6,144,297	(705,524)	(3,675)
Illinois	2,284,987	2,030,741	254,246	3,436
Massachusetts	3,882,578	3,696,866	185,712	1,418
New York	7,765,665	7,193,072	572,593	2,254
Ohio	2,301,052	1,982,144	318,908	4,492
Pennsylvania	5,154,927	4,375,545	779,382	4,841
Texas	9,241,337	7,956,297	1,285,040	4,606
Washington	3,535,293	3,015,782	519,511	4,855
Totals	$52,428,957	$46,960,967	$5,467,990	$3,255

ARMY RESERVE CONVERSION COSTS

Reserve Command	Converted Technician Military Pay	Technician Civilian Pay and Drill Pay	Net Difference	Average Cost Per Conversion
63rd	$2,059,385	$1,604,809	$ 454,576	$8,418
77th	3,215,641	2,385,562	830,079	9,652
79th	2,910,089	2,214,685	695,404	8,585
80th	824,376	696,154	128,222	4,932
83rd	2,461,915	1,882,246	579,669	8,525
86th	2,119,943	1,605,781	514,162	8,865
98th	666,692	490,940	175,752	9,250
99th	2,117,510	1,673,966	443,544	7,040
121st	3,271,794	2,475,358	796,436	8,657
124th	2,029,983	1,517,029	512,954	9,160
Totals	$21,677,328	$16,546,530	$5,130,798	$8,509

In the 10 State Guards it costs 12 percent more to pay a converted AGR than to pay a technician (including drill pay) and in the 10 Reserve commands it costs 31 percent more to pay a converted AGR than a technician (including drill pay). In some cases, individuals received a significant increase in total compensation by making the conversion. In one State Guard an individual converted from a GS-5 making $24,112 to an E-8 making $39,970--an increase of $15,858. In another state, an individual converted from a GS-7 making $32,817 to a Chief Warrant Officer making $54,154--an increase of $21,337. In one Reserve component, an individual converted from a GS-4 making $20,483 to an E-6 making $28,401--an increase of $7,918. In another Reserve component, an individual converted from a GS-9 making $40,877 to a Lieutenant Colonel making $65,395--an increase of $24,518. In only a small percentage of the cases did an individual lose money by making the conversion, and these generally involved wage grade personnel.

Based on the average cost per conversion in the commands visited, the projected annual costs of the conversions in all the State guards and Reserve commands to date are $18.5 million and $23 million, respectively.

IV. IMPROVED READINESS OF THE GUARD AND RESERVE

A. Full-Time Support

During the 1970's, under the total Army concept, the missions of the Guard and Reserve changed significantly. Instead of their historic back up roles, the Guard and Reserve components have been incorporated more closely with the Active Army and given shorter mobilization time frames. Some Guard and Reserve components serve to round out brigades for existing active divisions, while others are part of the Rapid Deployment Force. These changes have obviously dictated that the Guard and Reserve achieve a higher state of readiness with maximized training time.

Aside from the conversion question, it was generally recognized that technicians had far too great a workload and needed assistance. In many instances, reservists and guardsmen were used to assist the technicians during their drilling weekends thus preventing them from training in their specialties. Further, training time was also consumed drawing supplies and equipment in preparation for the actual training. These practices tended to minimize the amount of training and, therefore, impinged on unit readiness.

In the late 1970's, the Department of the Army began providing additional full-time support to the Guard and Reserve components through the full-time manning (FTM) program. The staffing of the program was made up of active component soldiers as well as guard and reserve soldiers on full-time active duty. The objectives of FTM were to:

-- improve readiness in selected reserve units;

-- provide additional full-time military personnel in skills to improve training, administration, personnel, maintenance, and supply; and

-- improve unit mobilization/deployment planning and preparation.

B. Program Status

1. Army National Guard

By the end of FY 1983, the Army National Guard plans to have a total of 37,226 full-time support personnel as follows:

Type of Position	Number	Percent
Technicians ------------------	22,557	61
AGR/FTM ----------------------	8,128	22
AGR/Converted ----------------	5,691	15
Active Component -------------	850	2
Totals ------------------	37,226	100

In accordance with the current Program Objective Memorandum (POM), the Army National Guard plans to have 54,426 full-time support personnel by the end of FY 1988, an increase of 17,200 or 46 percent over FY 1983. The following table shows the proposed make up of the full-time support in FY 1988.

Type of Position	Number	Percent
Technicians	22,250	41
AGR/FTM	25,635	47
AGR/Converted	5,691	10
Active Component	850	2
Totals	54,426	100

?

3.7 below FY 82 ESTABLISH

As shown by the tables, the military presence in the Army National Guard is projected to grow from 39 percent of the full-time support in FY 1983 to 59 percent of full-time support in FY 1988.

In addition to the added strength, the National Guard Bureau is also in the process of realigning the types of duty performed by the civilian and military full-time support personnel. The following table shows the changes in staffing at the unit support and maintenance activities between FY 1983 and FY 1988.

	FY 1983	FY 1988
Unit Support:		
Military	9,914	22,715
Civilian	6,278	3,139
Totals	16,192	25,854
Maintenance:		
Military	1,662	5,682
Civilian	15,308	18,140
Totals	16,970	23,822

Ultimately, the Bureau intends to move all technicians out of the unit support activity. The following is the National Guard Bureau's model for FTM support of troop program units.

MAXIMUM FULL-TIME MANNING (FTM) GRADES

Assignment	Detachment	Company Battery Troop	Battalion Squadron Hospital	Brigade Group Regiment	Division
Training Officer	--	--	0-4	0-5	0-6
Supply Officer	--	--	0-3	0-4	0-5
Maintenance Officer	--	--	W4	--	--
Training NCO	E-6	E-7	E-8	E-9	E-9
Supply NCO	--	E-6	E-7	E-8	E-9
Maintenance NCO	--	E-6	E-7	E-8	E-9
Administration	--	E-5	E-7	E-8	E-9

2. Army Reserve

By the end of FY 1983, the Army Reserve plans to have a total of 13,250 full-time support personnel as follows:

Type of Position	Number	Percent
Technicians	6,753	51
AGR/FTM	3,588	27
AGR/Converted	1,639	12
Active Component	1,270	10
Totals	13,250	100

49% in '83

In accordance with the current POM, the Army Reserve plans to have 18,558 full-time support personnel by the end of FY 1988, an increase of 5,308 or 40 percent over FY 1983. The following table shows the proposed make up of the full-time support in FY 1988.

Type of Position	Number	Percent
Technicians	6,753	36
AGR/FTM	8,896	48
AGR/Converted	1,639	9
Active Component	1,270	7
Totals	18,558	100

64% in 88

As shown by the tables, the military presence in the Army Reserve is projected to grow from 49 percent of the full-time support in FY 1983 to 64 percent of the full-time support in FY 1988.

The Army Reserve is also realigning the type of duty performed by the civilian and military personnel. The following table shows the staffing at the unit support and maintenance activities for FY 1983.

	FY 1983
Unit Support:	
Military	5,169
Civilian	3,877
Totals	9,046
Maintenance:	
Military	58
Civilian	2,876
Totals	2,934

FORSCOM officials project their military support to be 10,535 and 40 in the unit support and maintenance areas, respectively. However, they could not provide precise figures on the civilian work force because there are too many uncertainties surrounding future civilian staffing. The Army Reserve would like to move all technicians out of the unit support activity and reduce the total number of civilians in all aspects of the full-time support program. The Army Reserve does not have an organizational model for full-time support that applies universally to the troop program units because individual reserve commands have been given some flexibility to determine which positions will be filled by FTM's. However, in most cases troop program units are being staffed with FTM's to handle training, supply, maintenance, and administration. In addition, the Army Reserve is in the process of filling other key positions throughout the reserve commands with FTM personnel. The Army Reserve is also attempting to replace the 44 civilian Senior Staff Administrative Assistants (SSAA) within the major Army Reserve commands with Active or Reserve Component Colonels called Assistant Deputy MUSARC Commanders.

C. Need for Additional FTM

Officials at the 20 National Guard and Reserve units contacted by the Investigative Staff said that readiness had improved since more personnel were added to the components. However, most of these same officials generally conceded that similar results could have been achieved with more civilian personnel. These officials emphasized that they had been happy with their civilians but they were just over-worked. As an official of one ARCOM stated, "We needed more bodies, we didn't care what color suits they wore." However, officials pointed out that it was not possible to obtain additional civilians because of the Department's strength ceilings.

Almost all units said they could use additional full-time personnel to further increase readiness. However, both the Guard and Reserve units generally indicated they did not care whether the additional full-time support personnel were military or civilian, as long as they were qualified. Many of the components said they would like to have the flexiblity to determine which to hire on a case-by-case basis. For example, in some of the high cost areas, officials said they could not attract and retain competent civilian personnel at the current grade scales and preferred staffing the position with a military person because of higher pay and benefits.

Regarding future growth of FTM, some Guard officials did not see the need for FTM through all the Guard's 3,369 company size units, especially when some of the lower priority units do not have proper equipment for training. Further, these same officials do not see the need for the large increase in personnel in the maintenance area.

Many Guard and Reserve officials additionally expressed concern that the FTM program was filling too many management and supervisory positions rather than subordinate-worker positions. In fact, 96 percent of enlisted FTM's are sergeants and the NGB's model for a company calls for four sergeants per unit at a cost of $114,783 per unit/year. Under the former civilian system, a maximum of one GS-7 and one GS-5 handled the support for the company at a cost of $41,919 (excluding drill pay). If the civilian workforce was also increased to four members, two GS-7's and two GS-5's, the cost would be $83,838 per unit/year (excluding drill pay). Several officials commented, "They are giving us too many chiefs and not enough Indians."

V. COMPLICATIONS OF THE FTM PROGRAM

While the FTM may have improved readiness, the infusion of military personnel in the Guard and Reserve has created problems for both the technicians and drilling reservists.

A. Displacement of Technicians

As previously noted in this report, the technician has historically been the backbone of the Guard and Reserve components. He provided the continuity and stability essential to a part-time Army. The conversion and FTM programs have thoroughly disrupted the technician program as a whole in the Guard and Reserve. Individual technicians who did not qualify for or care to participate in the conversion program do not see a future for the program and many are seeking employment elsewhere. Many technicians see people performing parts of the job they used to perform and making more money. Other technicians are supervising AGR's who are making more money than themselves. Technicians believe that under the current military thinking they have no place in the troop program units. Thus the current programs, rather than building on the key members of Guard and Reserve components, seek to relegate these positions to other tasks and establish a new unit support system.

B. Displacement of Guardsmen and Reservists

Originally, FTM personnel were not considered members of the units to which they were assigned and were therefore not mobilization assets of the units. While these individuals performed the full-time duties of supply sergeant, motor sergeant, platoon sergeant, executive officer, and various other key positions, the Guard and Reserve components already had drilling members in these slots. In the event of mobilization, the drilling reservists and guardsmen would have deployed with the unit. The status of FTM personnel would have been questionable.

Recognizing this problem, the House Appropriation Committee's report on the DOD FY 1982 Appropriation Bill directed that FTM's and technicians have a mobilization assignment with the unit they support. When the FTM's were assigned as members of the units in their FTM slots it created a situation of "double slotting of positions. Since double slotting meant that two people were being paid for the same job and only one of the two could occupy the position on mobilization, Congress, in the Continuing Resolutic for the FY 1983 Appropriations, directed that Guard and Reserve components eliminate the practice.

On January 13, 1983, the National Guard Bureau advised the States that AGR's were to be assigned to positions in units similar to their day-to-day operations and were to be the sole occupant of those positions. The letter stated that guardsmen displaced by the assignment of the AGR had the following options:

- -- find a vacant position,
- -- if applicable to the unit, go in overstrength status,
- -- be carried on the rolls for 1 year to find a vacancy,
- -- extend beyond 1 year if a vacancy is imminent, or
- -- be terminated.

On February 11, 1983, FORSCOM notified Army Reserve units that by September 30, 1983, drilling reservists who were double slotted were to be removed from positions occupied by AGR's. The notice listed the following options for a displaced reservist:

- -- find a vacant position within the unit,
- -- cross train and find a vacant position with the unit,
- -- transfer to another local unit, including exploration of vacancies within the Army National Guard,
- -- transfer to the Individual Ready Reserve (IRR)
- -- if applicable to the unit, go to overstrength status,
- -- be carried on the rolls for 1 year to find a vacancy, or
- -- be terminated.

Thus, through the elimination of double slotting, career guardsmen and reservists holding key positions are being eliminated from their units. Also, since peers in other local units are likewise being displaced, their chances of finding a vacancy in another unit are unlikely.

In addition to displacing career reservists, the placement of AGR's in key positions blocks the career progression of other drilling reservists. For instance, supply clerks and motor pool personnel can no longer look forward to competing for the positions of supply sergeant and motor sergeant. According to several of the Guard and Reserve officials the blockage of career progression has already had a detrimental effect on morale.

Question on p. 16

VI. QUESTIONABLE MANAGEMENT OF THE FULL-TIME UNIT SUPPORT PROGRAM

A. Program Justification

Aside from readiness factors which were previously discussed, Army personnel consistently cited the following reasons as justification for replacing technicians with full-time AGR's: (1) the technicians' 40-hour work week; (2) union problems; (3) status quo technicians; and (4) disciplinary problems.

1. 40-Hour Week

Army officials said that technicians could not be ordered to work more than 40 hours a week without paying overtime--which was prohibited--or providing compensatory time. On the other hand they said military personnel were available 24 hours a day, 7 days a week. Most of the units visited expressed little concern with the 40-hour work week for technicians and no one cited any specific instance where it adversely affected the unit's mission. In fact, numerous examples were presented of technicians' voluntaril contributing more than 8 hours a day because work needed to be done.

2. Union Problems

A consistent argument brought forth for replacing the technicians with AGR's was that it would avoid problems in dealing with labor unions. In this respect, most of the units visited said they had no problems with labor unions or that union activities were a nonissue. Several officials said that they had "heard of union problems in the Northeastern part of the country", but were not so affected. Moreover, the references to problems with unions are at odds with the findings on the conversion test reported to Congress by DOD. The December 30, 1980, report stated:

> "Union activity has been cited as a reason for reducing the military technician program in favor of AGR personnel who would not be unionized. Our review of the situation indicates union involvement should not be a significant factor in determining if military technicians should be replaced with AGR personnel. There are no substantiated incidents where union activity has affected readiness to a significant degree. It is apparent that the unions share the DOD desire to have an effective work force."

3. Status Quo Technicians

Status quo technicians in the Army Reserve are those who occupy technician positions but are no longer military members of any Reserve component, primarily for reasons outside their control (e.g., mandatory removal from military status due to age, medical disqualifications, or failure to be promoted). Status quo technicians would not deploy with their units upon mobilization. According to FORSCOM, as of December 31, 1982, about 30 percent of the 3371 technician positions at the troop unit level were status quo technicians.

While status quo technicians may be a hinderance, there is provision for reassigning such technicians. Army Regulation 140-315 provides that for technicians employed prior to September 1, 1970, who were not in a dual civilian/military status on that date, and technicians who lose military membership for reasons outside their control will not be

> "(1) Involuntarily reassigned to another commuting area or removed from their positions.
>
> "(2) Denied consideration for further promotion in the ART [Army Reserve Technician] program, as long as

> civilian performance is satisfactory. However, continuing efforts will be made to reassign these technicians to other nondual status positions or to jobs outside the technician program in a geographic area acceptable to them. Those who cannot be so reassigned will be retained in their technician positions until separated through normal attrition." * * * (Underscoring supplied.)

According to Army Reserve personnel, this provision of the Regulation has never been applied to the status quo technicians.

4. Discipline

Several officials noted that civil service regulations make it difficult to discipline or remove technicians, whereas AGR's are subject to the Uniform Code of Military Justice (UCMJ) and can be disciplined or removed in a more timely manner. The Investigative Staff visited 20 commands and only 4 cited any significant disciplinary problems with technicians. Moreover, some technicians said that it took just as long to bring disciplinary action against an AGR under the UCMJ as against a technician under the civil service procedures. In fact, there were questions in some cases as to who would bring charges against an AGR under UCMJ because he has no military superior who could bring the charges at his unit.

B. Program Implementation

1. Army National Guard

Officials in every state visited said the National Guard Bureau's implementation of the conversion and full-time manning programs was not organized or timely. An official in one state said, "the KGB could not have done a better job of disrupting the Guard. They rushed in too fast and screwed it all up." Other officials said the constantly changing guidance has caused turbulence in the units, that many good technicians are seeking other employment, and some AGR's are considering reverting to technician status.

One of the most detrimental aspects of the National Guard Bureau's (NGB) implementation of the programs is that it has now determined that most of the positions which have been converted are overgraded. This situation occurred because the NGB gave no guidelines on the grades of the positions that were to be converted when it inaugurated the program in March 1979. In fact, no instructions on the appropriate grades for the positions were issued until June 1981 and these instructions were revised in December 1981. Consequently, the individual State Guards independently established the military grades of the converted positions. In a subsequent appraisal of the grade structure, the NGB determined that the States were overly generous in assigning grades to the positions. For example, the percentages of overgraded converted positions in some States is as follows: Alabama 73 percent, Texas 70 percent, California 68 percent, Illinois 64 percent, and Washington 60 percent. NGB then determined that the positions have to be downgraded and this has caused some further morale problems.

As an example of this situation, an AGR Major in the California National Guard received a letter dated March 16, 1983, which advised him that his position authorized a maximum grade of Captain and set forth the following options:

> "a. Obtain reassignment to an AGR position that will accommodate your military grade.
>
> "b. If appropriate, revert to technician status not later than 31 March 1986.
>
> "c. Resignation from the AGR program on or before 31 March 1986.

> "Failure to accomplish one of the above options will result in your release from your AGR tour on 31 March 1986."

Twelve other officers and enlisted personnel in the unit received similar letters and two of the enlisted members were being reduced two grades. In another state, an official said that as good as the full-time manning program is, he was in favor of suspending it until the National Guard Bureau figures out what to do with the technicians.

2. Army Reserve

Many of the Army Reserve units also were dissatisfied with the implementations of the conversion and full-time manning programs. Several officials indicated that FORSCOM tried to "ram the programs down our throats." An official at one ARCOM said "we are playing a game we don't have rules for and as a result there is hestitation, morale problems, and we can't promise anything or plan anything." An official at another ARCOM said that "the big problem with full-time manning was it was pushed from the top down and the program was implemented without being thought through."

Although unit commanders were supposed to have input into the composition of the FORSCOM model for their units, several reserve officials objected to what they considered uniform application of FORSCOM's model to their unit. They felt that FORSCOM's insistence on adding all military as full-time manning personnel and its movement toward replacing all technicians at the unit level was costly and disruptive. Many personnel said they were satisfied with the way their civilians were performing and wanted the flexibility to determine the mix of military in their units. Officials at one ARCOM said that "a lot of units should not be converted; everything is going well, the units are performing in a superior manner and don't need to change." Other officials said that the needed additional personnel and it did not matter whether they were civilian or military as long as they were competent. Still other officials referred to FORSCOM's actions as "fixing things that are not broken."

In any event, the existence of civilians and military positions in the same unit--with the resultant dual management structures--has created confusion, morale problems, and uncertainties about a career ladder for either of the positions.

C. Stability of the Guard and Reserve

The Army National Guard and Reserve have strong community ties. Guardsmen and reservists are civilians first, and military personnel during training or in the event of mobilization. Armories and Reserve Centers are local landmarks and may have served generations of citizen soldiers. Control of the Army National Guard is shared by the Federal and State Governments.

The introduction of the conversion program, and full time manning and resultant infusion of military personnel has raised questions in the Reserve and National Guard regarding the normal rotation of military personnel and its impact on the stability of guard and reserve units. Traditionally, the civilian technician was the corporate memory of and brought cohesion to the unit. The replacement of the technician and augmentation of the unit with military personnel who are subject to rotation every 3 years or so concerned most of the components visited by the Investigative Staff.

Officials at one ARCOM said that "having too large a number of unit members that rotate will destroy what the reserves is all about." Officials at another Army Reserve component said that "Rotation will kill us--we are so different from the active Army that we can't be a mirror image." State Army Guard officials were especially adamant about possible rotations. Officials in one state said rotation was the "worse thing that could happen; it would destroy the stability of the program." In another state, officials said they "violently oppose rotation because you would have the active duty concept with no stability or continuity. It would destroy the National Guard."

D. Civilian Versus Military Control Over the Guard and Reserve

Based on comments made by DOD officials and responsible military officers during the course of this investigation, it appears the intent of FORSCOM and the National Guard Bureau is to replace all technicians at the troop unit level with AGR personnel and augment the units with additional AGR and active duty personnel. At higher level units they would place military personnel in dayto-day charge of the units at the expense of civilian personnel. For example, the Senior Staff Administrative Assistants at the major reserve commands would be replaced by or report to a Colonel Assistant Deputy MUSARC Commander. Similar changes would be made at subordinate commands. Thus over a short period of time--at least in the Army Reserve--the active Army's role has gone from advising, to supporting, to day-to-day control. One active Army official said "the big thing we are doing out there is getting the civilian out of the Army. We want to get green suits in there." Finally, at an Army Reserve component an active component officer said "Before, the Army was advising, now we're driving the train."

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PRIORITY

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FM CDR 124TH ARCOM FT LAWTON WA//AFKC-ACD-CG//

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INFO CDRFORSCOM FT MCPHERSON GA//AFPR/AFPR-CP//
DA WASHINGTON DC//DACA-BU/DAAR-ZA// CDR I CORPS FT LEWIS WA//AFZH-CP//
CDR 63D ARCOM LOS ANGELES CA CDR 89TH ARCOM WICHITA KS
CDR 96TH ARCOM FT DOUGLAS UT
CDR PRESIDIO OF SAN FRANCISCO CA//AFZM-CP//

ACCT DA-BHCSVD

BT
UNCLAS

MG REYNOLDS SENDS
SUBJ: ARMY RESERVE COMPONENTS (RC) (CIVILIAN) MILITARY TECHNICIANS AND ACTIVE GUARD/RESERVE PERSONNEL, FY 84

A. HQDA (DACA-BU) MESSAGE 301345Z JAN 84, SAB.
B. FY 84 DOD APPROPRIATIONS ACT, PUBLIC LAW 98-212
C. FORSCOM LTR AFPR-MPP, SUBJ: FULL TIME UNIT SUPPORT IMPLEMENTATION, DTD 27 AUG 82 WITH 6A 1ST IND, DTD 9 SEP 82.

1. REFERENCE A ADDRESSED TO MUSARCS, CONUSAS AND FORSCOM DISCUSSES PARTIALLY THE LEGISLATIVE HISTORY OF P.L. 98-212 AND CONVEYS THE INTENT OF CONGRESSIONAL DECISIONS AND OUTLINES THE STRICT POLICY AND HQ DA POSITION TO COMPLY WITH CONGRESSIONAL INTENT.

2. RECENTLY COMPLETED FY 1983 POSITION AND CLASSIFICATION SURVEYS CONDUCTED BY THE CIVILIAN PERSONNEL OFFICES SERVICING THE 124TH ARCOM RESULTED IN A SUBSTANTIAL NUMBER OF POSITIONS BEING MODIFIED OR DEGRADED AS A RESULT OF THE INFLUENCING EFFECT OF ACTIVE DUTY (FTM) PERSONNEL BEING BROUGHT INTO TROOP PROGRAM UNITS. THE SURVEY HAS CREATED MUCH APPREHENSION AMONG CIVILIAN EMPLOYEES OF THE COMMAND.

3. WHEN THE FULL-TIME MANNING PROGRAM WAS APPROVED FOR IMPLEMENTATION IN 1982 (REFERENCE C), THE CONCEPT CALLED FOR A PREDOMINANTLY MILITARY FULL-TIME WORKFORCE AT THE UNIT LEVEL AND THE GRADUAL REPLACEMENT OF CIVILIAN TECHNICIANS OVER THE OUT-YEARS. SEVERAL SENIOR GRADE MILITARY OFFICERS AND NCO'S WERE PLACED ON ACTIVE DUTY WITH THE UNITS.

4. BASED UPON FORSCOM'S FTUS IMPLEMENTATION INSTRUCTIONS IN 1982, AS POLICY WE APPROVE OF OUR COMMANDERS DELEGATING MORE AUTHORITY AND SUPERVISORY RESPONSIBILITIES TO MILITARY PERSONNEL RATHER THAN CIVILIAN TECHNICIANS. THUS, OUR COURSE OF ACTION WAS PARTIALLY RESPONSIBLE FOR THE ADVERSE IMPACT ON CIVILIANS. THE SAME PROBLEMS WERE NOT EXPERIENCED IN UNITS WHERE CIVILIAN TECHNICIANS RETAINED THEIR SUPERVISORY/MANAGERIAL DUTIES AND RESPONSIBILITIES. REFERENCE A MAKES CLEAR HQDA POSITION IS: QUOTE SUPERVISORY RESPONSIBILITIES WILL NOT BE DEGRADED AND JOB DESCRIPTIONS OF CIVILIAN TECHNICIANS WILL NOT BE CHANGED WHEN ADDITIONAL AGRS ARE BROUGHT INTO UNITS OR OTHER ACTIVITIES UNQUOTE. THIS COMMAND WILL COMPLY WITH HQDA DIRECTION. I HAVE NOW RESCINDED EARLIER POLICY AND GUIDANCE REGARDING MILITARY ROLES WHICH IMPACT ON CIVILIAN TECHNICIANS AND JOB DESCRIPTIONS. NEW GUIDANCE TO COMMANDERS WILL PROVIDE FOR THE ASSIGNMENT OF DUTIES TO FTM PERSONNEL WHICH WILL NOT IMPACT ON CIVILIAN JOB DESCRIPTIONS. THIS ACTION WILL BE TAKEN WITH THE ASSISTANCE OF AND IN COORDINATION WITH THE SUPPORTING CPOS.

5. THE RESULTS OF THE POSITION CLASSIFICATION SURVEYS CONDUCTED BY PRESIDIO OF SAN FRANCISCO AND FORT LEWIS CPOS HAVE NOT BEEN FULLY EXECUTED. OF A TOTAL OF 263 POSITIONS SURVEYED, 42 POSITIONS

WERE CLASSIFIED TO A LOWER GRADE: MOST OF THOSE AFFECTED ARE IN THE RANGE OF GS6 THRU GS9. SOME REDUCTIONS-IN-FORCE (RIF) ARE EXPECTED. THEREFORE AS A RESULT OF THE ACTIONS I HAVE TAKEN (PARA 4 ABOVE) AND TO FORESTALL AN ANTICIPATED VOLUME OF EMPLOYEE GRIEVANCES, AND/OR THE LOSS OF HIGHLY EXPERIENCED AND VALUABLE EMPLOYEES TO FEDERAL AGENCIES OUTSIDE OF THE US ARMY RESERVE SYSTEM, IT IS CRITICAL TO THE READINESS POSTURE OF THIS COMMAND THAT A MORITORIUM BE PLACED ON ANY ADVERSE CIVILIAN ACTIONS WHICH HAVE RESULTED FROM IMPLEMENTING THE FTM (AC/AGR) PROGRAM.

6. AN EARLY MORITORIUM WILL ALLEVIATE THE ADVERSE MORALE AND ANXIETY CONCERNING EMPLOYMENT SECURITY WHICH EXIST AMONG THE CIVILIAN TECHNICIAN WORKFORCE. THE SERVICES OF HIGHLY TRAINED AND EXPERIENCED TECHNICIANS HAVE BEEN THE STABILIZING FORCE OF THE ARMY RESERVE PROGRAM FOR OVER 22 YEARS. THEY ARE AN ESSENTIAL AND NECESSARY FORCE TO A MOBILIZATION READINESS POSTURE AND ARE NOT SUBJECT TO THE HIGH-RATE OF TURNOVER WHICH WE ARE NOW BEGINNING TO OBSERVE AMONG AC AND AGR PERSONNEL.
BT

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AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

AFFILIATED WITH THE AFL-CIO

JOHN ESPOSITO, PRESIDENT
ROBERT M. PACHECO, EXECUTIVE VICE PRESIDENT
RICHARD GUARINO, SECRETARY TREASURER

BARNS BUILDING — ROOM 215
495 SUMMER STREET, BOSTON, MA 02210
Telephone (617) 451-4556

February 9, 1984

Mr. Charles Huoy
Senate Appropriations Committee
119 Senate Dirksen Building
Washington, DC 20010

Dear Mr. Huoy:

As we discussed telephonically, on February 7, 1984, enclosed please find a copy of the TWX sent to all Reserve Components, involved in the AGR/FTM Program, by Department of the Army (DA).

As you can plainly see, DA's position coincides with most of the Congressional Report Language, except supervisory and duty responsibilities of civilian technicians. Language which Senator Stevens was instrumental in achieving. The addition of the word "additional" prior to AGR's substantially changes Congressional intent and direction, and is capricious enough to lend the interpretation that civilians on board since the inception of the AGR/FTM Program may also be downgraded, as well as losing supervisory and duty responsibilities.

For your information also enclosed is a copy of our correspondence on this matter to Mr. Austin Smith of the House Defense Appropriations Committee.

Be further advised that this TWX is causing greater turmoil in the field than previously existed and we, the undersigned, as members of the National Steering Committee, representing civilian technicians, have been tasked with diligently pursuing this matter to a successful conclusion. That conclusion being consistent with Congressional language.

If we may be of any further assistance, please contact the undersigned either telephonically at (617)451-4583/4872 or in writing at the above address.

Thank you for assisting us.

JOHN M. ESPOSITO
Chairman, National Steering
Committee Representing
Civilian Technicians

Richard J. Guarino
RICHARD J. GUARINO
Co-Chairman, National Steering
Committee Representing
Civilian Technicians

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February 3, 1984

Mr. Austin Smith
Committee on Appropriations
House of Representatives
Room H218
Capitol Building
Washington, D.C. 20515

Dear Mr. Smith:

Enclosed is a copy of the Twix sent to all Reserve Components, as we discussed on the telphone. Department of the Army has highlighted Congressional language and then states their direction. However, when civilian supervisory responsibilities are considered the word "Additional" is added before AGR's in the DA direction.

This counters Congressional intent, which directed that civilian supervisory responsibilities would not be changed at any time, which includes the very first additions of AGR's into Reserve Component units some years ago.

The word "Additional" will now cause more turmoil than currently exists and may warrant another communique to the field in order to clarify, once and for all, civilian supervisory responsibilities.

Your attention is directed to the first paragraph of the Twix wherein Dept. of the Army directs strict compliance with Congressional intent. Unfortunately, this strong direction fades by the end of the Twix.

Reference, the language pertaining to the civilian recruiter positions,

> "The conferees direct that civilian recruiter positions throughout Recruiting Commands not be converted to AGR Positions and DA policy," as stated in the enclosed Twix.

it has come to my attention that all vacant civilian positions in the Boston District Recruiting Command (DRC) have already been converted to AGR on DRC's manning documents. I assume the same holds true throughout the Nation.

This flys in the face of the managers' language wherein they state, "They can see no advantage in converting these positions." This constitues as stall by DRC's not to hire civilians based on the theory that current manning documents do not authorize civilian hire.

I believe that without Congressional intervention, this situations will remain intact until the next Appropriation's Bill, wherein the DRC's and Army, as a whole, hope to get better treatment in the area of AGR. Their vacant paper conversion to AGR should be reversed to civilian technician and hiring should commence immediately.

Also permit me to note that with regard to the increase in civilian manning authorized for this year, the 94th ARCOM, although told they will be authorized approximately 37 additional civilians, has yet to date received any hiring authority or guidance. In talking to several other Commands, the same holds true.

It is my gut feeling that, again, games are being played to stall and upon return to your Committee for hearings on this program, the Army will allege that they had difficulty filling the civilian positions.

Sincerely Yours,

JOHN M. ESPOSITO
President, AFGE
Local 1900, Chairman of National Steering Committee

RICHARD M. GUARINO
Secretary-Treasurer, AFGE
Local 1900, Co-Chairman of National Steering Committee

Congress of the United States
House of Representatives
Committee on Appropriations
Washington, D.C. 20515

July 21, 1983

Honorable John O. Marsh, Jr.
Secretary of the Army
Washington, D. C. 20310

Jack

Dear Mr. Secretary:

I want to thank you for your letter of May 26, 1983, regarding the Army Reserve Senior Staff Administrative Assistant (SSAA) positions. I appreciate your adherence to the Committee's guidance concerning the SSAA issue. However, my purpose in following-up on the issue of SSAA is due to the fact that while I believe the Department of the Army is actually attempting to comply with the desires of the Congress and this Committee, Forces Command is, in my view, not cooperating. On June 13, 1983, First U.S. Army issued guidance concerning duties and responsibilities of SSAAs. While the words seem to indicate compliance with congressional intent, it appears that actual compliance is still very questionable. Although the message indicates that separate chains of supervision will not be devised, a Forces Command Regulation, 135-1 which pertains to the Full Time Unit Support Program, requires that performance evaluation will be retained in the military chain and, as you know, the real supervisor is the person who does the efficiency report.

At some local levels it is the policy that the congressional instruction pertains only to the 43 SSAA's, which results in subversion of the intent of the Joint Explanatory Statement of the Committee of Conference (97-980). I believe that FORSCOM still does not want to comply with congressional direction, which is reflected in the action and/or non-action of local commanders. For example:

> Hiring of reservists and assignment of active Army personnel, whose duties duplicate in whole or in part those of civilian technicians, continues unabated.
>
> A commander at the 3d Battalion, 42nd Field Artillery, sent a message, dated June 28, 1983, and stated, "A review of the civilian employment situation in this unit, in light of Mr. Hagen's retirement and with Major Dooley on board as Executive Officer, indicates it is not necessary or desirable to perpetuate the SSAA position. Therefore, I am providing a job description for the person I desire to replace. The unit has been negatively impacted by full-time civilians who were not unit members."

It is somewhat surprising to me that a local commander can "provide a job description" of his own creation. Is this the case with all local commanders of Army Reserve units?

Further, I have a copy of a draft letter being unofficially circulated which states that "The logic for having a day-to-day military supervisor for the work force is still valid. It is not logical or desirable to have a full-time predominantly military force supervised by an ill-equipped civilian employee. Additionally, if the civilian work force is not converted as planned in FY 1984, a major realignment of military and civilian functions will be necessary to avoid duplication and overlapping of responsibilities."

Rather than being "an ill-equipped civilian employee", I believe the Senior Military Technician, with his years of expertise in the Reserve program, is best equipped to supervise any force that purports to be in full-time support of the U.S. Army Reserve. I am sure you, as Secretary of the Army as well as other senior heads of the Department of Defense, would not appreciate the fact that, as civilians, you would be considered ill-equipped to supervise a predominantly military force.

Congress has made known its intent to retain the military technician program, stating that no involuntary conversion or change of status is allowed, and this applies to Supervisory Staff Administrative Assistant positions.

I would hope that corrective action will be taken with regard to the Supervisory Staff Administrative Assistant positions.

We would appreciate an early response concerning this matter.

Sincerely,

Joseph P. Addabbo
Chairman
Defense Subcommittee

Headquarters
Department of the Army
Washington, DC
14 February 1983

Immediate Action
INTERIM CHANGE

AR 135-2
Interim Change
No. I01
Expires 14 February 1985

Army National Guard and Army Reserve

Full-Time Manning

Justification. This interim change corrects wording that has led to a misunderstanding of Army policy by Congress, resulting in a budget reduction for FY 83.

Expiration. This interim change expires 2 years from date of publication and will be destroyed at that time unless sooner rescinded or superseded.

1. AR 135-2, 1 March 1982, is changed as follows:

Page 3. Paragraph 7d is superseded as follows:

d. FTM personnel will be assigned against unit MTOE positions. A position occupied by an FTM soldier may not concurrently be occupied by a drilling reservist.

Page 4. Paragraph 7h is superseded as follows:

h. In the event of mobilization, FTM personnel will mobilize in their present positions and will deploy with their units unless military requirements dictate otherwise.

2. Post these changes per DA Pam 310-13.

3. File this interim change in front of the publication.

(DAPE-MPM-RC)

By Order of the Secretary of the Army:

E. C. MEYER
General, United States Army
Chief of Staff

Official:

ROBERT M. JOYCE
Major General, United States Army
The Adjutant General

Distribution:
To be distributed in accordance with DA Form 12-9A requirements for AR, Army National Guard and Army Reserve. Active Army: C; ARNG: A: USAR: A.

ARMY REGULATION }
No. 135-2 }

HEADQUARTERS
DEPARTMENT OF THE ARMY
WASHINGTON, DC, *1 March 1982*

ARMY NATIONAL GUARD AND ARMY RESERVE

FULL-TIME MANNING

Effective 1 April 1982

This regulation prescribes policy and procedures for the Full-Time Manning Program in Army National Guard and US Army Reserve units.

Local limited supplementation of this regulation is permitted, but is not required. If supplements are issued, HQDA agencies and major Army commands will furnish one copy for each to HQDA (DAPE-MPO-FTS), WASH DC 20310; other commands will furnish one copy of each to the next higher headquarters.

Interim changes to this regulation are not official unless they are authenticated by The Adjutant General. Users will destroy interim changes on their expiration dates unless sooner superseded or rescinded.

1. Purpose. This regulation prescribes policy and procedures for the Full Time Manning (FTM) Program in Army National Guard (ARNG) and US Army Reserve (USAR) units.

2. Applicability. This regulation applies to the Active Army, ARNG, and USAR. Specifically, it applies to Active Component (AC) and Reserve Component (RC) military personnel who provide full-time support to RC units in the FTM Program.

3. References. *a. Required.*

(1) AR 310-10 (Military Orders). Cited in paragraph 5*g*(2).

(2) AR 623-105 (Officer Evaluation Reporting System). Cited in paragraph 7*e*.

(3) AR 623-205 (Enlisted Evaluation Reporting System). Cited in paragraph 7*e*.

b. Related.

(1) AR 5-9 (Intraservice Support Installation Area Coordination).

(2) AR 135-205 (Enlisted Personnel Management).

(3) AR 612-10 (Reassignment Processing and Army Sponsorship Procedures).

(4) AR 640-10 (Individual Military Personnel Records).

(5) DA Pam 600-8 (Military Personnel Office Management and Administrative Procedures).

4. Explanation of terms. *a. Active Component personnel.* Military personnel on active duty who are paid from the military personnel appropriation of Department of the Army. This personnel category includes regulars and reservists on extended active duty.

b. Active Guard/Reserve (AGR). A new term that replaces "special active duty" for training and full-time duty. The AGR are guardmembers and reservists on full-time active duty (over 179 days) who—

(1) Provide full-time support to the RC.

(2) Are paid from Guard and Reserve personnel appropriations of Department of the Army.

c. Full-Time Support (FTS). Personnel working on a full-time basis who—

(1) Assist in the training, administration, maintenance, and operations of Selected Reserve (SR) units.

(2) Perform a variety of functions relative to managing the RCs.

5. Responsibilities. *a. Deputy Chief of Staff for Personnel (DCSPER).* The DCSPER will—

(1) Assume primary responsibility for the FTM Program. (The DCSPER will serve as the FTM Program proponent.)

(2) Coordinate FTM policies.

(3) Plan, program, and budget to support active Army FTM personnel requirements.

b. Deputy Chief of staff for Operations and Plans (DCSOPS). The DCSOPS will—

(1) Establish standards for identifying FTM space requirements.

(2) Put in priority sequence those unit types to receive FTM resources.

(3) Develop policy for the optimum mix of AC/RC personnel for the FTM Program.

(4) Serve as the Army Staff proponent for evaluating program effectiveness.

c. Chief, National Guard Bureau (CNGB). The CNGB will—

(1) Manage the FTM Program in close coordination with the DCSPER.

(2) Serve as special advisor to the Chief of Staff on FTM for the ARNG.

(3) Plan, program, and budget to support ARNG personnel requirements in FTM AGR status.

(4) Develop and coordinate career management plan for ARNG FTM personnel.

(5) Develop type space requirements with the Commanding General (CG), US Army Forces Command (FORSCOM).

(6) Monitor the fill and provide for selection and use of ARNG FTM personnel.

(7) Plan, program, and budget those quality-of-life items needed to support the FTM Program.

(8) Issue instructions within the ARNG to implement policies specified by the regulation.

(9) Develop a FTM Orientation Program.

d. Chief, Army Reserve (CAR). The CAR will—

(1) Serve as special advisor to the Chief of Staff on FTM for the USAR.

(2) Plan, program, and budget to support USAR personnel requirements in FTM AGR status.

(3) Develop and coordinate management plans for USAR FTM personnel.

(4) Monitor established standards and procedures to insure qualified USAR personnel fill FTM positions.

(5) Monitor quality-of-life items; plan, program, and budget items needed to support FTM Program.

e. Commanding General, US Army Forces Command (FORSCOM). The CG, FORSCOM will—

(1) Manage the FTM Program in close coordination with DCSPER.

(2) Develop the FORSCOM Intensive Management Force List (IMFL), which will be the basis for applying FTM resources.

(3) With subordinate headquarters, develop standard staffing requirements for like units in support of program objectives.

(4) Develop consideration and selection procedures for USAR personnel in coordination with Office of the Chief, Army Reserve (OCAR) and the US Army Reserve Components and Administration Center (RCPAC).

(5) Develop a plan to evaluate the effects of FTM on unit readiness and deployment or employment capability with NGB and OCAR assistance.

(6) Develop and maintain an orientation program for presentation of AC FTM and AGR USAR FTM personnel during or shortly after in-processing; this includes orientation publications for FTM personnel.

(7) Plan and program those quality-of-life items needed to support the FTM Program.

f. Commanding General, US Army Military Personnel Center (MILPERCEN) (AC Personnel). The CG, MILPERCEN will—

(1) Select and assign to FTM positions only those AC personnel having the qualifications for duty with the RC.

(2) Insure orders assign personnel to proper carrier tables of distribution and allowances (TDA) and attach them to the unit they support.

(3) Issue orders showing duty station, active unit or installation for disciplinary pur-

poses, supporting military personnel office (MILPO), and mobilization assignment.

(4) Provide losing commander with required information on specific assignment upon which to—

(a) Brief the individual.

(b) Assess the soldier's ability to function at the new location.

g. Commanding General, RCPAC (AGR Personnel). The CG, RCPAC will—

(1) Select and assign personnel to fill FTM positions as requested by—

(a) Continental United States Armies.

(b) Western Command.

(c) 172d Infantry Brigade.

(2) Issue orders as prescribed in AR 310-10. Orders will include—

(a) Duty station.

(b) Active unit or installation for disciplinary purposes.

(c) Supporting MILPO.

(d) Mobilization assignment.

6. Program objectives. The objectives of the FTM Program are to—

a. Evaluate the specific needs of the individual units selected for the program.

b. Provide full-time personnel and skills to enhance readiness through improved training, administration, personnel, maintenance, supply, and operational activities.

c. Improve unit readiness, and mobilization or deployment planning and preparation to a level that provides an adequate assurance of unit response time and capability.

7. Program implementaiton. *a.* RC units will receive FTM resources based on the priority of units set forth in the DMFL as established by FORSCOM and verified by HQDA(DAMO-ODM). Factors to be considered in tailoring the FTM force to unit requirements within priorities and available resources are—

(1) Unit size, location, strengths, and weaknesses.

(2) Availability of military personnel support facilities.

b. The NGB and FORSCOM, in coordination with OCAR, will secure HQDA(DAMO-ODM) approval of FTM units each year by 31 January. NGB and FORSCOM will identify AC requirements for submission to HQDA(DAPE-MPO) not later than 1 April each year. AC requirements will be identified by the following:

(1) Location.

(2) Unit identification code (UIC).

(3) Modification Table of Organization and Equipment (MTOE).

(4) MTOE paragraph and line number.

(5) MTOE description.

(6) MTOE grade.

(7) MTOE MOS.

(8) Standard requirement code (SRC).

c. HQDA(DAPE-MPO-FTS) will return the approved position listing for the USAR and the AC positions for the ARNG to Commander, FORSCOM (AFPR-MPP) no later than 1 May each year.

d. FTM personnel will not be assigned to unit MTOE positions. However, they will be aligned with these positions. They will be carried on a separate TDA and attached to the unit they supported. This arrangement will make the following easier.

(1) Continued promotion opportunities for Guard and Reserve members.

(2) FTM TDA changes without modifications of other authorization documents.

(3) Nondisplacement of RC personnel by FTM personnel.

(4) Assurance that FTM personnel do not compete with drilling RC personnel for assignment or promotion to unit vacancies.

e. FTM RC and AC personnel are not assigned as advisors. They are workers and will be integrated into unit functions and missions. FTM personnel are responsible to the RC unit commander or the commander's designated representative. They will be rated according to AR 135-205, AR 623-105, and AR 623-205.

f. FTM personnel will participate with their RC units during periods of inactive duty training and annual training.

g. AC personnel attached or assigned to ARNG units are not authorized to take part in State-ordered periods of active duty if, by so doing, they would violate the "Posse Comitatus" Act. (See 10 USC 1285).

h. FTM personnel will mobilize with the RC unit they support. If a compatible TOE vacancy exists in a unit, the RC unit commander will request transfer of FTM personnel from TDA to TOE positions for which they are qualified. If no such vacancy exists, the mobilization commander will transfer them as required. If possible, and within priorities, reassignments of FTM personnel will be to ARNG or USAR units closely related to those to which they were formerly attached. This should allow commanders to capitalize on the expertise of FTM personnel.

i. ARNG AGR personnel will be ordered to full-time active duty under the provisions of Section 502(f), Title 32, United States Code. USAR AGR personnel will be ordered to full-time active duty as FTM participants under Section 672(d), Title 10, United States Code.

j. Emphasis will be placed on selection of qualified personnel as follows:

(1) Selection of RC personnel will be based on—

(a) Experience.

(b) Education.

(c) Training.

(d) Past performance.

(e) Demonstrated potential to serve successfully in the FTM position being filled.

(2) Initial vacancies will be advertised to give interested, qualified applicants a chance to apply. Searches for qualified personnel to fill initial vacancies will usually start in the immediate geographic area of the unit. Searches will be systematically extended, as required, to produce more than one fully qualified applicant.

(3) Boards will normally be used to—

(a) Evaluate applicants for initial vacancies.

(b) Make recommendations to selecting officials.

(4) When boards are not used, selection must be reviewed and approved at a command level higher than that of the selecting official.

(5) Subsequent officer fill in USAR FTM will be through the Long Tour Management Program (LTMP).

k. The FTM Program is intended to supplement, not duplicate, duties performed by unit technicians on a day-to-day basis.

8. Personnel services support. *a. General.* Policy and procedures for personnel services support for AGR and AC personnel taking part in the FTM Program are outlined below.

b. Military Personnel Office (MILPO).

(1) MILPO support will be set up according to map 8, AR 5-9, for those persons who are not attached or supported by the AC installation. The MILPO is responsible for all personnel actions for AGR personnel (see DA Pam 600-8) to include the following:

(a) The Military Personnel Records Jacket (MPRJ) (See AR 640-10).

(b) The Joint Uniform Military Pay System (JUMPS)—military pay administration.

(c) Officer evaluation report or enlisted efficiency report, examinations, reenlistment, expiration term of service, etc.

(d) Promotion packet for enlisted personnel.

(e) Awards and decorations.

(f) Applications for schooling.

(g) Application for change of special skill identifier or military occupational specialty.

(h) Casualty reporting.

(i) Flagging action.

(j) ID cards—military or dependent.

(k) Emergency data record.

(l) In- or out-processing.

(m) Installation clearance.

(n) Request for retirement.

(o) Civilian Health and Medical Program of the Uniform Services (CHAMPUS) and medical benefits briefing.

(p) Veteran Administration benefits briefing.

(q) Separation process.

(2) Each State military personnel management officer will provide required personnel actions support on all ARNG personnel in the additive FTM Program according to current procedures.

c. Sponsorship. Sponsors will be designated for incoming AGR and AC personnel. A sponsorship letter containing information outlined in AR 612-10 must be sent at the earliest possible date. The sponsorship program must provide information about the geographical area of assignment, availability of housing, nearest military facilities, and a brief summary of their assignment.

d. Orientation. Commanders at all levels will conduct the Army Sponsorship and Orientation Program. (See AR 612-10.) Because of the unique conditions of FTM assignments, special care must be taken to insure that FTM personnel receive required information on their new assignment and the FTM Program. They should also be given information about situations that might cause undue hardship or confusion.

(1) *Losing commanders.* Based on information provided by MILPERCEN or RCPAC, losing commanders will orient individuals on proposed assignment. They will also determine the person's suitability for assignment to that specific position. A checklist to assist losing commanders in conducting orientations for FTM personnel is at figure 1. More topics should be included based on local requirements and AR 612-10.

(2) *Gaining commanders.* A checklist to assist gaining commanders in conducting orientations for FTM personnel is at figure 2. More topics should be included based on local requirements, FORSCOM and NGB guidance, and AR 612-10.

e. Formal training. Besides the orientation, formal training courses are necessary to insure that FTM personnel are fully qualified for the USAR and ARNG unique pre-mobilization tasks of their duty positions. These courses are administered at the Army Reserve Technician Training Center (ARTTC) and the National Guard Professional Education Center (NGPEC) with guidance from FORSCOM and NGB.

Checklist

1. Command FTM Program overview.
2. Rating and supervision.
3. Personnel actions.
4. Health care for FTM personnel and dependents.
5. Housing, including Variable Housing Allowance (VHA) and priority II.
6. Army Emergency Relief (AER).
7. Finance procedures.
8. Promotions.
9. Leaves, passes.
10. Skill qualification training (SQT).
11. Uniform Code of Military Justice (UCMJ).
12. Important points of contact (POCs).
13. AC nonparticipation in State-ordered active duty.
14. Command organization.
15. Local area familiarization, highlighting any unique local conditions.

Figure 2. FTM orientation checklist—Gaining command.

April 20. 1983

Mr. Austin G. Smith
Staff Defense Subcommittee
Committee on Appropriations
U. S. House Of Representatives
Washington, DC 20515

Dear Mr. Smith:

As you are well aware both myself and Mr. Esposito have, since the inception of placing full-time military into Army Reserve and Army & Air National Guard units, forecast many negative affects regarding the Full-Time Manning (FTM) Program. We have continually forecast involuntary negative actions befalling Civilian Technicians and Drilling Reservists.

A prime example is the attached assignment order wherein an E-7 from Hazelwood, MO (on an Active Guard/Reserve (AGR) tour) has been assigned to a unit position with a unit located in Brockton, MA. This means that, initially, this man has been PCS moved from Missouri to Massachusetts which cost American Taxpayers from $15,000 to $18,000. Furthermore, there is a Drilling Reservist already filling the unit position which this man has been assigned to. Now, the Drilling Reservist will be involuntarily assigned into the IRR if no comparable unit position can be found. Believe me, Senior NCO unit positions are hard to come by and finding a comparable position means being qualified by MOS for such position, and competing for it with other candidates. It should also be born in mind that most Unit Commanders promote and fill upward progression unit vacancies from within their own unit. In short, finding a comparable unit position is most unlikely.

Be further advised that the current Drilling Reservist in this situation is a Civilian Technician, who, by terms of his employment, must be a drilling member of a Reserve unit. This means that an involuntary violation of this person's terms of employment are about to occur. Along with this doble negative; ie, Reserve and Civilian status, Army is about to make this Civilian Technician a "Status-Quo" Technician involuntarily. Remember, Army claimed that a reason for putting in full-time military into Reserve units was the Civilian Technician "Status-Quo" problem; ie, Civilian Technicians that are not also Drilling Members of a Reserve unit.

Finally, by assigning this AGR/FTM individual into this unit position any upward momentum regarding junior soldiers in this particular unit MOS will be very limited, if any will exist at all.

In closing be advised that the Drilling Reservist/Civilian Technician alluded to above is the undersigned.

Sincerely;

Richard J. Guarino
171 Shore Drive
Winthrop, MA 02152

BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To Stephen J. Solarz House Of Representatives

Information On Military Technician Conversions To Full-Time Active Duty Guard And Reserve

Almost 10,000 military technician positions in the Army and Air Force Reserve components have been converted from civilian to full-time, active duty Guard and Reserve since fiscal year 1979. The Congress directed more than half of these conversions to test Reserve components' ability to attract and retain qualified active duty Guard and Reserve personnel in full-time positions. The remaining conversions, which occurred after the test ended in June 1980, were intended to enhance readiness.

The Army now proposes almost 5,900 more conversions and increases of almost 25,000 in the number of its active duty Guard and Reserve personnel over the next 5 years. However, the Army is not sure if these proposals will improve its readiness.

GAO/FPCD-82-57
SEPTEMBER 8, 1982

INTRODUCTION OF RICHARD GUARINO

Senator RUDMAN. We will now have the chair assumed by the chairman, Senator Stevens from Alaska.

Senator STEVENS. Thank you very much.

Thank you. It is nice to see you this morning. I had to chair another meeting with the Office of Technology Assessment before coming here.

Did you have a statement, too, sir?

Mr. GUARINO. Yes, sir; what I was going to do was to explain through the use of some simple graphs what Mr. Esposito has been explaining.

STATEMENT OF RICHARD GUARINO, COCHAIRMAN OF THE NATIONAL STEERING COMMITTEE REPRESENTING CIVILIAN TECHNICIANS, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

MILITARY CAREER FIELDS

Mr. GUARINO. Mr. Chairman, all military units are composed of military career fields. These career fields are divided into segments known as military occupational specialties, MOS, if you will, for enlisted personnel and officer career fields known as branches. The numbers and types of career fields vary from unit to unit, and the unit's mission dictates the numbers and types of career fields that a particular unit will be composed of.

The example that we have here is based on an actual occurrence. What we see is that a senior E-7, general reservist, in the career field of 71L, which is personnel and administration, was involuntarily separated from his slot by a full-time military AGR individual, who was PCS moved at Government expense from the Midwest to a unit in the Northeast.

The initial impact of this is that general reservist who has that vested interest has to go and try for a similar position in another unit in that career field at a comparable grade of E-7. The chances of that happening are negligible due to the fact that a similar condition may exist in another unit, or another unit that employs that career field may have a general reservist already in that position.

We also see here that due to the fact that the full-time military person occupies a similar position, he shuts off the upward mobility for the rest of the enlisted people below him in that particular career field. I would like to add that most career fields are affected by this program. Furthermore, the regulations dictating the AGR/FTM program specifically dictate that no one below the grade of E-5 will be brought aboard as AGR or FTM. That, sir, is found in regulation 135-1.

What we are saying, in essence, is that the AGR and FTM program has reserved the unit's junior through senior NCO slots for full-time military AGR/FTM personnel. This will make it very difficult, if not impossible, to recruit for the lower enlisted ranks.

STATUS QUO TECHNICIAN

If we carry this example a step further and look at our second page, and assume that the E-7 general reservist who was displaced was a civilian technician, who by the terms of his employment must be dual status, and that means that he must hold a drilling Reserve or Guard position and a military status to keep his civilian employment, you see that he was involuntarily separated in his military status, which now jeopardizes his civilian status because he now becomes known as a status quo technician. That, sir, is a term that the Department of Defense has used to explain a civilian technician who does not hold a drilling Guard or Reserve position.

Senator STEVENS. What happens to them then?

Mr. GUARINO. At that point, if the regulations are put into effect, sir, the Department is supposed to expeditiously seek employment for that individual in another agency.

Senator STEVENS. A lateral transfer concept.

Mr. GUARINO. I believe so, yes, sir.

Senator STEVENS. Your point is that his upward mobility is limited.

Mr. GUARINO. That is correct, sir.

Senator STEVENS. Because he is not a drilling reservist or Guard.

Mr. GUARINO. No, sir. In the competitive service that the Army Reserve employs, that civilian technician may well have upward mobility in his civilian status. The problem is that he has become status quo and his terms of employment have been violated, and he could face termination at some point.

Senator STEVENS. Is that because he is no longer on drilling status?

Mr. GUARINO. That is correct, yes, sir.

Senator STEVENS. Was that decision involuntary?

Mr. GUARINO. Yes, sir. What happened is that his Reserve position was randomly determined to be AGR full-time manning.

Mr. ESPOSITO. If I may, Senator Stevens, what happens is when the individual is brought into an AGR position, it takes that drilling reservist and automatically forces him into an overstrength status.

What he is speaking of here is that drilling reservist being a civilian technician makes no difference, it still forces that drilling reservists who is that civilian technician into an overstrength status, and after 1 year, by terms of the Army's regulations, he is forced into the IRR.

Mr. GUARINO. What happens also in this vein, Mr. Chairman, is that these full-time individuals who come on and occupy these NCO positions act as a multiplier for the people below the rank he is occupying because of the fact that their upward progress has been shut off.

You have to remember that this full-time military position will not revert back to a Reserve position if the program is allowed to stay in effect. When that full-time military individual completes his tour of duty and moves along, another full-time military individual will occupy that same slot. So we are perpetually shutting off the upward progress of these people below that position.

UNIT STAFF COMMAND POSITIONS

Our final graph occurs in the officer corps, the command section of the unit. Basically, the unit staff command positions are being occupied by full-time military, displacing drilling reservists.

In many of the units, these full-time military are even occupying the executive officer position. You can readily see that it is very difficult for a junior officer to move through the ranks and become a commanding officer when the executive officer position is filled with a full-time military individual.

It also is apparent that if this program is allowed to stay in effect, and in fact expands, the upward momentum for the full-time military executive officer will be the unit commander, in which instance we will have a commanding officer who is full-time military, an executive officer who is full-time military, and the rest of the unit staff positions full-time military. The drilling Reserve office or Reserve Officer Corps has no place to go.

I don't believe that this committee, or any other body in the Congress, wishes to inflict this situation on the Guard and Reserve, on the citizen-soldier concept that has successfully served us all of this time.

MORE RELIANCE ON GUARD AND RESERVE

Senator Stevens. I understand your point. With the end-strength limitations that are being placed on the services, though, it just doesn't seem to me that this is going to continue as far as increased assignments of active duty personnel into the Guard and Reserve positions.

On contrary, I think that the mobility is going to be the other way, because they now have been limited, or soon will be more limited in terms of end-strength, and that means that they have to rely more on the Guard and Reserve throughout the services. If that happens, doesn't that reserve the trend that you are talking about?

There will be more Guard and Reserve people brought in to replace active-duty personnel, because those active-duty people will have to be transferred to the new units that are being formed which basically will be overseas.

Mr. Guarino. I think what you are talking about here, sir, is the fact that there have been some active component soldiers placed in Guard and Reserve units. That may be true that those active soldiers will be taken out and sent out to active Army installations, but what we are talking about here is active Guard and Reserve full-time manning individuals, which alledgedly are reservists that are brought on full time.

What happens here is that these people, many of them, come from IRR, and the effect is still the same. We still have full-time military occupying these positions that will remain full-time military, and this effect will be carried through. Recent statistics released by the Department of Defense indicate that all of the Reserve components or the services, if you will, in the event of a conflict will be short of personnel for 30 to 90 days in the course of that conflict.

We believe that this AGR program not only aggravates the Reserve structure, but it is going to speedup or cause to increase those shortages due to the fact that General Reserve and guardsmen displaced by these active Guard and Reserve full-time manning people won't return in a period of conflict.

Mr. **Esposito**. If I may add, Senator Stevens, no matter what the end strength becomes, the situation remains the same. Any active Guard position established or allowed to continue still removes a drilling reservist. I believe that the Congress has been misled into believing that these individuals who are taking these active duty tours are coming from those positions within the Guard and the Reserve component, but this is not true.

Although they may come from the community at best, they still are not coming from that position which means that the individual incumbent, who has the vested interest, who has put in 15 years, or 12 years or whatever it may be in a particular situation, is being displaced. We do not believe that this committee intends for that to happen, and we urge your support.

Senator **Stevens**. I don't think that we intended that result either, an we will look into it. We will try to cover that in our report this year.

Thank you very much.

Mr. **Esposito**. Thank you.

Mr. **Guarino**. Thank you, Mr. Chairman.

Senator **Stevens**. Mr. Walther, executive vice president of the U.S. Defense Committee.

U.S. Defense Committee

STATEMENT OF HENRY L. WALTHER, EXECUTIVE VICE PRESIDENT, U.S. DEFENSE COMMITTEE

ACTIVITIES OF USDC

Mr. **Walther**. Thank you very much, Mr. Chairman.

Good morning, and thank you for allowing me to testify before you today.

My name is Henry Walther and I am the executive vice president of the U.S. Defense Committee.

The U.S. Defense Committee is a public interest organization dedicated to a strong national defense and foreign policy.

We are an organization of over 10,000 Americans who come from all walks of life, machinists, farmers, small entrepreneurs, doctors, lawyers, and retired service personnel. What binds all of these people together is a concern that America's defenses are not what they should be.

They, and I, and we believe millions of other Americans are very concerned the Congress, over the last 20 years, has allowed the defense of this Nation to fall behind the efforts of the Soviet Union.

It has been said that Congress is increasingly becoming the preserve of special interests, from the recipients of the welfare state all the way down to the proponents of export/import specialty laws.

NATIONAL DEFENSE MAJOR INTEREST

We believe there is one interest larger than all of the others combined. It is not a special interest but it is an interest that is shared by all Americans. It is called national defense and it is listed in the Constitution as Congress first and foremost responsibility.

The defense of our country, of course, rests on both preventing and deterring attack. This Congress will deal with how best these activities are to be achieved. As executive vice president of the U.S. Defense Committee, let me outline to you several of the specific concerns of our organization's members.

CONCERN OVER MILITARY READINESS OF ARMED FORCES

First the U.S. Defense Committee's members, many of whom are retired military personnel, have expressed to me their concern over the military readiness of our Armed Forces. They have stated again and again that if America is willing to station brave men and women at frontlines around the world, then we also must make sure that they have enough of the best equipment to deter any possible attack.

Soldiers, without ammunition backed up by pilots who don't have enough flying hours and who are flying planes that are too often idle by lack of spare parts, is not the sort of deterrent that the Soviets take seriously.

America can be turned into a paper tiger in two ways: One, by lacking the will to act; and the other by being unable to act.

In 1981, for example, 25 percent of Army combat units were not ready for combat. In the Navy, 40 percent of major ships were not ready, as well as one-third of naval aviation squadrons. In 1981, 25 percent of the Marine Corps' ground units were only marginally ready. Steaming days for ships and battalion field training days were also alarmingly low.

During the past 3 years, the number of major Active and Reserve units that are at least substantially ready has increased by 39 percent, but that is still a far cry from what it should be. American conventional forces should always be ready for crisis on any front.

Yet, Congress has continually slashed administration requests for defense spending, and has focused their cuts on the so-called "soft sports" in the budget, namely, military readiness which is in fact the heart of America's ability to use conventional forces to protect vital interests.

STRATEGIC WEAPONS

In the area of strategic weapons, our members fully support the modernization of America's Triad; the B–1B bomber; the Peacekeeper missiles; and new submarine and missiles for our sea-based nuclear fleet.

Senator Stevens. Pardon me for just a minute, will you please?

Mr. Walther. Yes.

Senator Stevens. Pardon me for the interruption. Please go ahead.

BALLISTIC MISSILE DEFENSE

Mr. Walther. Also, in the context of strategic weapons, our members wholeheartedly support the proposals by the administration for the research and development of a ballistic missile defense.

SOVIET ATTACK CAPABILITIES

The Soviet efforts to have a breakout capability in regard to a system of ballistic missile defense is a grave and ominous threat. Recent deployment of several new Puskino phased array antiballistic missile defense battle management radars is just one step the Soviets have taken.

The deployment of SH-04 and SH-08 interceptor missiles constitutes a system of layered defense. The modification of the SA-12 surface-to-air missile against ballistic warheads is also part of a layered defense.

With these technologies, the Soviets potentially have an active missile defense system. As it stand now, the Soviets already have the ability to destroy, or virtually destroy our land-based missile force that America depends upon to destroy Soviet missile silos.

An America that is vulnerable while also unsafe to launch an effective counterattack is a nightmare I don't think anyone in this room wants to contemplate. That is why our members back the development of a missile defense, but also want one that is deployed sooner rather than later.

Our chairman and president, Lt. Gen. Daniel O. Graham, USA retired, along with a team of the best scientists and aerospace engineers in the country has shown that we can begin to deploy a missile defense almost immediately rather than waiting until the end of the century. Their study shows that using off-the-shelf hardware and technology, we could, in fact, have a missile defense system deployed in 5 years.

The importance of a missile defense, after all, would be its ability to prevent a war through deterrence. Deterrence is the doubt created in the mind of the potential attacker of the possible success of the attack. By the United States deploying a system of satellite-based and ground-based defense, Soviet planners would be unable to safely predict which missiles would leak through our defenses and thus deter an attack. The Soviets surely would not attack unless they could safely assume the destruction of our retaliatory capability.

MARXIST ADVANCES IN CENTRAL AMERICA

In a concern a bit more down to Earth, let me express a rising concern of our members over the Marxist advances in Central America. This matter has not yet entered fully within the jurisdiction of the Appropriations Subcommittee on Defense, but soon might.

Already Communist forces in Central America openly boast of a "revolution without borders," with their stated goal of Communist control, not only of Central America but Mexico as well. A few weeks ago, General Gorman, commander of America's forces south of the border, testified before the Senate Armed Services Committee that Mexico could very well become America's No. 1 security problem.

Should Mexico and Central America fall, then an estimated 10 million refugees could flee into our country costing the taxpayer $40 billion a year. Then should Mexico station a hostile army on our border, this subcommittee would be forced to grapple with ways to find funds to fortify our border and increase the size of our Army by as many as an additional 1 million men.

Our members believe that the fall of Central America and Mexico, along with the ensuing refugee crisis, could all be avoided if we spent relatively small sums of money now, rather than paying a much steeper price in the future.

Money should be specifically channeled to the Pro-American Contra Freedom Fighters in Nicaragua. By supporting the Contras, we can at minimum tie down a sizable part of the Nicaragua Army while providing the hope of freedom to the Nicaraguan people. Tying down the Marxist Junta would also relieve military pressure on El Salvador, Honduras, and Costa Rica.

But in addition to seeking to halt the flow of arms from Nicaragua to the Communist guerrillas in El Salvador, our ultimate purpose, of course, should be to remove this Marxist cancer from Central America, allowing the Nicaraguan people the freedom they are now denied.

We should also supply aid to the freedom fighters in Afghanistan, Cambodia, Laos, and southern Africa. The Soviets must be forced to feel the cost of their aggression against other people.

The support of pro-American freedom fighters, the crisis in Central America, the deployment of a missile defense, the modernization of our triad and military readiness are all of great importance to our members and to the future of the United States as a free and independent nation.

Unfortunately, in recent years too many Members of Congress have been basing their positions on defense and foreign policy considerations. It is our position, however, that any Member of Congress who thinks that the American people are unwilling to pay for a strong defense is dead wrong.

Recent election results make it clear that prodefense issues, once explained to the American People, receive overwhelming support. George McGovern, Frank Church, John Culver, Dick Clark, to name a few, are former U.S. Senators.

Jerry Brown's unsuccessful run for the U.S. Senate, as well as Senator Cranston's spectacularly unsuccessful run for the Democratic Presidential nomination were based on a pronuclear freeze position.

CUTS IN NONDEFENSE SPENDING

Our members ask you to consider that three out of four Federal dollars are spent on nondefense spending, and if cuts are to be made, they should be in the nondefense sector.

We urge you as members of the Appropriations Subcommittee on Defense to, at minimum, support full funding for President Reagan's original budget request and urge you to consider appropriating additional funds beyond those requested by Secretary Weinberger for the basic areas covered earlier in this testimony.

Thank you very much.

Senator **Stevens**. Thank you. We appreciate your taking the time to present this statement, and we appreciate your support.

Will you give my best to General Graham.

Mr. **Walther**. Thank you, sir.

[The prepared statement of Mr. Walther follows:]

UNITED STATES
DEFENSE COMMITTEE

PREPARED STATEMENT OF

Henry L. Walther
Executive Vice President

Good morning:

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First, the United States Defense Committee's members, many of whom are retired military personnel, have expressed to me their concern over the military readiness of our armed forces.

They have stated again and again that if America is willing to station brave men and women at front lines around the world, then we also must make sure that they have enough of the best equipment to deter any possible attack.

Soldiers without ammunition backed up by pilots who don't have enough flying hours and who are flying planes that are too often idled by lack of spare parts, is not the sort of deterrent that the Soviets take seriously.

America can be turned into a paper tiger in two ways: one by lacking the will to act; and the other by being unable to act.

In 1981, for example, 25 percent of army combat units were not ready for combat.

In the Navy 40 percent of major ships were not ready, as well as one third of naval aviation squadrons.

In 1981, 25 percent of the Marine Corps' ground units were only marginally ready.

Steaming days for ships and battalion field training days were also alarmingly low.

During the past three years the number of major active and reserve units that are at least substantially ready has increased by 39 percent, but that is still a far cry from what it should be.

American conventional forces should always be ready for crisis on any front.

Yet, Congress has continually slashed Administration requests for defense spending, and has focused their cuts on the so-called "soft spots" in the budget, namely, military readiness which is in fact the heart of America's ability to use conventional forces to protect vital interests.

In the area of strategic weapons, our members fully support the modernization of America's Triad: the B-1B bomber, the Peacekeeper missile and new submarines and missiles for our sea-based nuclear fleet.

Also, in the context of strategic weapons, our members wholeheartedly support the proposals by the Administration for the research and development of a ballistic missile defense.

The Soviet efforts to have a breakout capability in regard to a system of ballistic missile defense is a grave and ominous threat.

Recent deployment of several new Puskino phased array anti-ballistic missile defense battle management radars is just one step the Soviets have taken.

The deployment of SH-04 and SH-08 interceptor missiles constitute a system of layered defense.

The modification of the SA-12 surface-to-air missile against ballistic warheads is also part of a layered defense.

With these technologies the Soviets potentially have an active missile defense system.

As it stands now, the Soviets already have the ability to destroy our land-based missile force that America depends upon to destroy Soviet missile silos.

An America that is vulnerable while also unable to launch an effective counter attack is a nightmare I don't think anyone in this room wants to contemplate.

That is why our members back the development of a missile defense, but also want one that is deployed sooner rather than later.

Our Chairman, Lt. Gen. Daniel O. Graham, USA (Ret.), along with a team of the best scientists and aerospace engineers in the country has shown that we can begin to deploy a missile defense almost immediately rather than waiting until the end of the century.

Their study shows that using off-the-shelf hardware and technology we could, in fact, have a missile defense system deployed in five years.

The importance of a missile defense, after all, would be its ability to prevent a war through deterrence.

And deterrence is the doubt created in the mind of the potential attacker of the possible success of an attack.

By the United States deploying a system of satellite-based and ground-based defense, Soviet planners would be unable to safely predict which missiles would leak through our defenses and thus deter an attack.

The Soviets surely would not attack unless they could safely assume the destruction of our retaliatory capability.

In a concern a bit more down to earth, let me express a rising concern of our members over the Marxist advances in Central America.

This matter has not yet entered fully within the jurisdiction of the Appropriations Subcommittee on Defense but soon might.

Already Communist forces in Central America openly boast of a "revolution without borders", with their stated goal of Communist control, not only of Central America, but Mexico as well.

A few weeks ago General Gorman, Commander of America's forces south of the border, testified before the Senate Armed Services Committee that Mexico could very well become America's number one security problem.

Should Mexico and Central America fall then an estimated 10 million refugees could flee into our country costing the taxpayer 40 billion dollars a year.

And then should Mexico station a hostile army on our border this Sub-Committee would be forced to grapple with ways to find funds to fortify our border and increase the size of our army by as many as an additional 1,000,000 men.

Our members believe that the fall of Central America, and Mexico, along with the ensuing refugee crisis, could all be avoided if we spent relatively small sums of money now, rather than paying a much steeper price in the future.

Money should be specifically channeled to the Pro-American Contra Freedom Fighters in Nicaragua.

By supporting the Contras we can at minimum tie down a sizeable part of the Nicaraguan army while providing the hope of freedom to the Nicaraguan people.

Tying down the Marxist Junta would also relieve military pressure on El Salvador, Honduras and Costa Rica.

But in addition to seeking to halt the flow of arms from Nicaragua to the Communist guerrillas in El Salvador, our ultimate purpose of course, should be to remove this Marxist cancer from Central America, allowing the Nicaraguan people the freedom they are now denied.

We should also supply aid to the Freedom Fighters in Afghanistan, Cambodia, Laos and Southern Africa.

The Soviets must be forced to feel the cost of their aggression against other people.

The support of pro-American Freedom Fighters, the crisis in Central America, the deployment of a missile defense, the modernization of our Triad and military readiness are all of great importance to our members and to the future of the United States as a free and independent nation.

Unfortunately, in recent years too many members of Congress have been basing their positions on defense and foreign policy on what they mistakenly believe are pragmatic political considerations.

It is our position, however, that any member of Congress who thinks that the American people are unwilling to pay for a strong defense is dead wrong.

Recent election results make it clear that pro-defense issues, once explained to the American people, receive overwhelming support.

George McGovern, Frank Church, John Culver, Dick Clark, to name a few, are former U.S. Senators.

Jerry Brown's unsuccessful run for the U.S. Senate as well as Senator Cranston's spectacularly unsuccessful run for the Democratic Presidential nomination were based on a pro-nuclear freeze position.

Our members ask you to consider that 3 out of 4 federal dollars are spent on non-defense spending, and if cuts are to be made they should be in the non-defense sector.

We urge you as members of the Appropriations Subcommittee on Defense to, at minimum, support full funding for President Reagan's original budget request and urge you to consider appropriating additional funds, beyond those requested by Secretary Weinberger for the basic areas covered earlier in this testimony.

Thank you.

NATIONAL FEDERATION OF FEDERAL EMPLOYEES

STATEMENT OF DAVID GUSKY, LEGISLATIVE DIRECTOR, NATIONAL FEDERATION OF FEDERAL EMPLOYEES

ISSUES OF CONCERN TO NFFE

Senator **STEVENS**. Mr. Gusky, legislative director, National Federation of Federal Employees.

Mr. **GUSKY**. Thank you, Mr. Chairman.

With me is Patricia Thomas, legislative liaison.

Before we get into our actual statement, I would like, on behalf of our organization, to thank you for the work you have done so far on the fiscal 1985 budget. Once again, if it wasn't for you, Federal employees and retirees would be in a lot more trouble than they are.

With specific respect to the fiscal year 1985 budget for the Defense Department, two issues are of particular concern to us, the contracting out and the civilian technician program.

CONTRACTING OUT PROGRAM

With respect to contracting out, previously, the only way Federal employees had a chance of protecting their job against bids from the private sector was to prove that they could do the job better and less expensively than their counterparts in private industry. They did this through cost review studies.

Under the previous regulations promulgated by the Office of Management and Budget, all functions worth $100,000 or more were required to go into cost review before contracting out. These regulations were changed this last year by the Reagan administration to require that any functions with 10 or fewer full-time employees would be exempt from cost review studies, and any function with more than 10 employees could be exempt from cost review studies if, in the opinion of the agency head, effective price competition existed in the private sector, and the in-house function could not reasonably be expected to win the bid.

We think these changes in the regulations are dangerous in their potential for abuse, Mr. Chairman. A function with 10 or fewer employees could be worth $4 million to $400 million, yet they could be contracted out to the private sector without any type of cost review study.

The Armed Services Committees recognized the potential for abuse in these new regulations, and in the reports accompanying the fiscal year 1984 Defense authorization bill, they require that these cost review studies be continued. That language, however, is merely report language.

What we would like to see this year is some sort of legislative requirement, either in the Defense authorization bill or in the Defense appropriations bill, that would require at a minimum that cost review studies be continued within the Defense Department, regardless of the new regulations promulgated by the Reagan administration.

CIVILIAN TECHNICIAN PROGRAM

Finally, I will discuss just briefly the civilian technician program. We have been here several times to talk about civilian technicians. The previous threat to the technicians was the conversion program, and now that has been replaced by this AGR program. To us it is nothing more than a backdoor method to get rid of technicians.

The request by the Pentagon this year is absolutely staggering in the increases that they are looking for in the AGR program, somewhere in the neighborhood of 60 percent. We think that the numbers will eventually overwhelm the technician workforce, and once again they will begin to be eliminated. We would like to see those numbers reduced substantially by the Appropriations Committee.

With that, I will conclude my statement, Mr. Chairman.

Senator **Stevens**. That is the same issue that the prior witness talked about, Mr. Esposito?

Mr. **Gusky**. Correct, and we will certainly associate ourselves with their remarks.

Senator **Stevens**. On the first issue, that would be best handled in the authorization bill. I hope that you can convince them to address that question.

Mr. **Gusky**. We hope that we can.

Senator **Stevens**. If not, we will take a look at it.

Mr. **Gusky**. Thank you.

Senator **Stevens**. Thank you very much.

[The prepared statement of Mr. Gusky follows:]

STATEMENT BY
THE NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Mr. Chairman and Subcommittee Members: The National Federation of Federal Employees appreciates the opportunity to present our views on fiscal year 1985 appropriations for the Department of Defense. Nearly half of our membership is employed by the DOD, so we are deeply interested in the subject of today's hearing. Two issues of special concern to us are the contracting out of Federal functions and the future of the civilian technician program.

Contracting Out

The Reagan Administration has made little secret of its desire to give Corporate America a larger slice of the Federal budget. In 1983, it took a major step toward this goal by revising the Office of Management and Budget Circular A-76, the regulations governing the contracting out of Government commercial and industrial activities. The new A-76 gives the Administration unprecedented authority to transfer Federal functions, and several hundred thousand civil service jobs, to private industry without regard for taxpayer cost. Congress must act to restrict this authority and to avoid the inefficient use of Federal tax dollars.

The Federal Government pays well over $120 billion annually to private contractors for essential goods and services. Thousands of commercial and industrial activities are still performed in-house, however, by over half a million Federal employees. The activities are continually being reviewed for possible transfer to private contract. Most of these activities are within the Defense Department.

Until 1983, Government policy stipulated that contracts should be awarded only when cost studies demonstrated it would be less expensive to perform the work under contract than in-house. The policy, which applied only to Federal activities worth more than $100,000, obviously protected the Government and the American taxpayer from paying unnecessarily high prices for essential goods and services.

This policy was spelled out in the OMB Circular A-76. But the regulations were changed last year by the Reagan Administration. The new A-76 virtually eliminates the requirement for cost comparison studies and opens up the entire contracting out process to waste and abuse.

Specifically, the new A-76 changed the cutoff point below which cost comparison studies are not required. As I noted previously, the threshold was $100,000. The new regulations state that Federal activities with 10 or fewer Full-Time Equivalents (i.e. employees) may be contracted out without a cost comparison study.

Ten Federal workers could manage activities with yearly budgets ranging from $400,000 to $4 million or perhaps $400 million. But according to the new A-76, these activities can now be contracted out by agency heads without ever having to determine whether the work can be performed more efficiently by Government personnel. It is frightening to imagine how this authority, in the hands of the wrong person, could be abused.

Moreover, the new regulations open up a huge loophole in the requirement for cost comparison studies for activities with more than 10 FTEs. A-76 now states that cost comparisons for these functions may be waived by an agency head when, in his opinion, 'effective price competition exists in the private sector and the in-house operation has no reasonable expectation of winning the competition.' Once again, in the hands of the wrong individuals, literally billions of tax dollars could be funneled to Big Business interests without any regard to efficiency or economy. NFFE is especially concerned about the potential for contracting out abuses within the Defense Department.

Finally, the actual cost comparison procedures skew the results in the contractor's favor by requiring agencies to use 29.5 percent as the Government's retirement cost. The actual agency contribution is 7 percent and should be stated as such in the cost review.

American taxpayers deserve better protection, and fortunately Congress has already taken some steps to provide it. First, the report accompanying the fiscal year 1984 defense authorization bill instructs the Defense Department to continue to conduct cost comparison studies regardless of the size of the activity being reviewed for possible contracting out and despite the more relaxed rules in A-76. Secondly, Congress approved a two-year moratorium on contracting out security guard and firefighter positions within the DOD.

Finally, Congress restricted the contracting out of positions within the General Services Administration that are legally reserved for veterans (guards, elevator operators, messengers and custodians).

These measures are welcome and necessary, but they do not go far enough. For instance, the requirement for cost comparison studies by the DOD is contained only in report language and not in statute. It is therefore not binding on the Defense Department. Congress must take additional steps to protect tax dollars. Congress must also ensure that civil service jobs are not lost merely to satisfy the Administration's desire to give its friends in private industry a bigger slice of the Federal budget pie.

I would like to make clear to the subcommittee members that NFFE is not completely opposed to contracting out. We simply want Government functions performed in the most efficient and least expensive manner possible. In almost all cases, this would mean that Federal workers should operate the activity. But in those instances where contractors show that they can do the job better and for less money, they should be given the opportunity.

This determination, however, cannot be made without a cost comparison review, a fact Congress recognized when it instructed the Defense Department to continue these studies despite the Reagan Administration's new regulation.

In summary, the Reagan Administration's revisions to OMB Circular A-76 are a blatant attempt to make wholesale transfers of Government funcions to private industry, regardless of cost. Thousands of Federal activities and billions in tax dollars are now wide open to potential abuse, especially within the DOD. NFFE strongly urges the subcommittee to prevent this from occuring by including legislative restrictions on contracting out in the FY 1985 Defense Department appropriation bill.

The Civilian Technician Program

During the past several years, NFFE has appeared before the subcommittee numerous times to discuss the civilian technician program. Civilian technicians have helped maintain the National Guard and Reserves as an effective fighting force for nearly 65 years. Technicians have been called upon to provide full-time administrative, training, and maintenance support that has enabled each Reserve component in the Army and Air Force to become a key link in our national defense structure. The Defense Department could have assigned active duty personnel to this critical mission, but civilian technicians were recognized as the group best able to accomplish the task. Today, technicians are stationed in every state and territory in the Union, at thousands of bases and armories, constantly ensuring that our Guard and Reserve forces are ready to meet any foreign crisis.

The recent history of the technician program, however, has been filled with trouble. Beginning in 1979 with the conversion effort, the program has been under constant attack by the Pentagon. Claiming that unionization somehow damaged the military effectiveness of technicians, DoD tried for several years to simply eliminate the program by converting technician slots to full-time military positions.

Fortunately, the Defense Department consistently failed to offer specific reasons why unionization in general impairs the ability of the Guard and Reserves to meet readiness requirements. Examples were rarely, if ever, offered of union contracts or activities that interfered with the military command structure; just broad accusations lacking any factual basis.

Moreover, the conversion program did nothing to improve readiness of the Guard and Reserves. On the contrary, it actually weakened it. As NFFE had warned all along, DoD found it difficult to recruit qualified active-duty replacements for civilian technicians. This was especially true in the wage grade area, which comprises nearly half of the technician workforce. Readiness also suffered because of the loss of experienced technician personnel. Finally, and perhaps most importantly, it proved more expensive to maintain an active-duty force in comparison to the civilian technician program. This is espcially true today now that military personnel have received pay raises in recent years substantially higher than civilian employees.

Congress finally recognized these problems when it placed a moratorium on further technician conversions in Public Law 97-377, the continuing resolution enacted on December 21, 1982. The moratorium was due to expire at the end of fiscal 1983, but it was extended in Public Law 98-107 through fiscal 1984. We hope the moratorium can be made permanent and that, sometime in the near future, those positions already converted to active-duty military will be switched back to civilian technician slots.

While the conversion program may no longer be the grave threat that it once was, another has appeared to take its place. We are referring to the Active Guard and Reserve program, or the AGR. The AGR is a program by which the Pentagon is increasing the full-time support of the fast growing Guard and Reserve forces. The program is not directly eliminating technician slots, but it is expanding so rapidly that it will soon dwarf, and ultimately overwhelm, the technician workforce. We believe the AGR program is nothing more than a "back door" method by the Pentagon to, once again, try to eliminate technician positions. Since active-duty personnel are so much more expensive than technicians, why else would the Defense Department use the AGR rather than hire more technicians to provide the very full-time support that the technician program was created for?

For fiscal year 1985, DoD has asked for a 60 percent increase in the AGR end-strength for the Army National Guard, a 66 percent increase for the Army Reserve, a 22 percent hike for the Air National Guard, and a 20 percent increase in AGR end-strength for the Air Force Reserve. At the same time, it is asking for a virtual freeze on technician end-strengths. NFFE asks the subcommittee to reverse DoD's request. It is the AGR program that should be frozen at fiscal 1984 levels and the technician program that should be increased substantially. This policy would meet the full-time support requirements of the Guard and Reserves in the most efficient and least expensive manner possible.

This concludes our statement. I will be happy to answer any questions.

Blue Cross and Blue Shield Association

STATEMENT OF MARY NELL LEHNHARD, VICE PRESIDENT, OFFICE OF GOVERNMENT RELATIONS, BLUE CROSS AND BLUE SHIELD

DOD BILLING OF PRIVATE INSURANCE COMPANIES

Senator **Stevens**. Mary Nell Lehnhard, representing the Office of Government Relations of Blue Cross and Blue Shield.

Ms. **Lehnhard**. Mr. Chairman, I am vice president of Government relations for the Blue Cross and Blue Shield Association, and that is the coordinating agency for 96 Blue Cross and Blue Shield plans.

We are here today to express our opposition to a direct aid to the Department of Defense to bill private insurance for care provided to nonactive duty personnel at military facilities. We appreciate this opportunity to highlight our concerns about the new policy. There was no such opportunity before the decision was made. The implementation directive was language added to reports accompanying the 1984 Department of Defense appropriations bill.

We believe that this decision to bill private insurance represents a major change in the Federal Government's responsibility toward nonactive duty personnel and should have been debated. In effect, it transfers the responsibility for payment for services from the Government to employers.

Importantly, employers are being asked to assume a new set of financial obligations without the safeguards needed to control increases in cost that will surely follow. It is our judgment that the change will have a negative effect on employers' efforts to control health care costs, community efforts to control health care costs, and our own Blue Cross and Blue Shield organization's efforts to control these costs.

EMPLOYER EFFORTS TO CONTROL COSTS

First let me discuss the effects on employers' efforts to control their own costs. The shift in this payment responsibility from the Government to employers puts the Department of Defense squarely into the problem that employers are having in controlling increases in the cost of their employee health care benefits. I might say that we would include, as an employer, the Federal Government paying for benefits under the Federal employees health benefits program.

Because of the seriousness of the cost problem, employers are doing a number of things to control the health care costs. Through insurers, third party administrators, and on their own, employers are placing controls on their employees' utilization of services.

Screens and limits have been established to help reduce inpatient lengths of stay, to question whether services should be performed on an outpatient basis, and to ascertain even whether the initial hospital admission is warranted.

A number of employers have also established financial incentives for their employees to use designated hospitals and physicians in a community which, through a contract, will provide care at a lower price or under very stringent utilization controls. These new arrangements are called Provider Arrangements, PPO's, and they have demonstrated significant savings for employers over a very short period of time.

HEALTH MAINTENANCE ORGANIZATIONS

In the same spirit, more and more employers are offering their employees the option of HMO, a health maintenance organization. It is widely recognized that HMO's have strong incentives to control employees' utilization of services while still providing very high quality of care.

The success and the very substantial success of all of these employer directed cost containment initiatives is absolutely dependent on the ability to negotiate and contract with the provider, that is the hospital. A mandate for employers to pay in military facilities, regardless of the arrangements they have for other employees, totally negates the employer's efforts to contain his own costs.

Let me mention briefly the negative effects that we see on a community's efforts to control costs. This cost problem has been so dramatic in recent years that communities at large have organized collectively to address the problem. In hundreds of communities all across country, formal coalitions of employers, insurers, providers, consumers, and labor representatives have been formed solely with the objective of controlling health care benefit costs.

The major community-wide strategy is local and regional health planning. Health planning is supported by Federal and State law, and puts checks and balances on new capital investment. This is critical, not only to controlling capital expenditures, but the operating costs that flow from new hospital beds.

In addition to planning, some States have established payment mechanisms for all non-Federal hospitals to control costs. These are statewide or area-wide budgets, or they may be negotiated caps or limits on annual allowable increases on hospital revenue.

DOD facilities, by mission, law, and policy, are all independent of such local and State strategies for cost containment. We believe that this is reasonable as long as the costliness of the DOD facility does not affect the community's interests. Under the new policy, however, military facilities would contribute to the community cost escalation problem, but would not be subject to any of the community cost containment programs.

Finally, we see a negative effect on our own efforts to control the problem. Blue Cross and Blue Shield plans contract, not only with their subscribers, but with hospitals and physicians.

Hospitals must furnish services to our subscribers under the terms specified in the contract. Our contracts typically call for member hospitals to participate in area-wide health programs, such as I have just mentioned, for formulation and review activities, and participate in recertification programs. The methodology for determining the actual payments to the hospital are based on the contract terms negotiated with the hospital.

For example, a new program we have will require the hospitals to go into their facilities, audit their bills to evaluate charges, audit their medical policies and procedures that affect costs, and audit the hospital's books, in effect, to determine whether they are complying with our payment provisions. We do not believe military facilities are prepared to deal with employers, insurers, and communities at this level, and we really doubt their capacity to do so.

In summary, we ask that you withdraw this directive. We do so because we think that this initiative would seriously handicap aggressive employer and community and Blue Cross and Blue Shield efforts to control health care costs.

Thank you very much, and that concludes my statement.

[The prepared statement of Ms. Lehnhard follows:]

PREPARED STATEMENT

OF THE

BLUE CROSS AND BLUE SHIELD ASSOCIATION

PRESENTED BY:

MARY NELL LEHNHARD
VICE PRESIDENT
OFFICE OF GOVERNMENT RELATIONS

Mr. Chairman and Members of the Subcommittee, I am Mary Nell Lehnhard, Vice President of Government Relations for the Blue Cross and Blue Shield Association. Our Association is the coordinating organization for the nation's 96 Blue Cross and Blue Shield Plans. Through these Plans private health insurance benefits are provided to some 80 million people. In addition, we serve another 20 million individuals through our public responsibilities as fiscal intermediaries and carriers for government health care programs.

I am here today to express the Association's opposition to a directive to the Department of Defense initiative to bill available private insurance for care provided to nonactive duty personnel in military facilities. We believe that this initiative represents a significant and not well considered change in the responsibility of the federal government for financing the health care services provided in military facilities. With this change, the federal government is shifting to the private sector — primarily employers — a new set of financial obligations without the authority or safeguards needed to contain the escalation in private sector health costs that will surely follow.

We appreciate the opportunity presented by this hearing to highlight the consequences of this new policy. There was no such opportunity before the decision was made. The implementation directive was simply language added to the reports accompanying the FY 1984 Department of Defense appropriations bill.

The decision to bill private insurance represents a major change in the federal government's responsibility for insured nonactive duty personnel. In effect, it transfers responsibility for payment for services furnished to nonactive duty personnel from the government to employers. We believe that this is a major policy change and should have been debated. For example, a major issue raised is whether the community as primary payor needs government facilities to serve nonactive duty personnel. Directly related to that issue is the accountability of DoD to be responsive to local health care cost containment efforts. It is our judgment that the change in policy would:

- have a negative effect on employers' efforts to control health care costs;
- have a major effect on community health care cost containment efforts; and
- have a negative effect on the efforts of the Blue Cross and Blue Shield organization to control health care costs.

Before addressing our concerns in more detail, it is important to review briefly how insurance premiums are established, and what effect this new policy would have on them. We also want to correct any misconception that insurance companies have been reaping "windfall profits" by not reimbursing for care provided in military hospitals; that allegation is simply not true. The premiums or costs of an insured group of individuals are based on payment for services that are covered and used by the group. Traditionally, insurance contracts specifically exclude services provided in government-owned facilities such as military hospitals. Because these services are not covered, their cost is not reflected in the group's premium. Simply put, we do not charge premiums for benefits we do not provide.

The converse of this principle is also true; if employers have to pay for care provided in military facilities, their premiums would rise accordingly. And, they would have no control over the rate of increase in these premiums.

Effects on Employers' Efforts to Contain Health Care Costs

The clear effect of this initiative is to transfer some of the financial obligation for services furnished to nonactive duty personnel in military facilities from the government to those who employ dependents and retirees. And, the more dependents and retirees in the employee group, the greater the effect of this new policy. This shift in payment responsibility puts the Department of Defense facilities squarely into the problem employers are having in controlling the rate of increase in the cost of their employee health care benefits. The Members of this subcommittee know, through discussions with their constituents, that employee health care costs are a major problem for employers of all sizes.

In response to the need to control costs employers have become extremely involved with how health care services are financed as well as how they are delivered. Through insurers, third party administrators, and on their own, employers are placing controls on their employees' utilization of services. Screens and limits have been established within their health benefits programs to help reduce inpatient lengths of stay, to question whether services (diagnostic work and surgery) should be performed on an outpatient rather than on an inpatient basis, and to ascertain whether a hospital admission is warranted for the given medical condition. These parameters are not arbitrary limits, but represent concerted efforts between the payer and the provider to establish more cost effective patterns of care.

A number of employers also have established financial incentives for their employees to use designated hospitals and physicians in the community which, through a contract, will provide health care services for a lower price or with more stringent utilization controls. These new arrangements are called Preferred Provider Organizations — PPOs — and have demonstrated significant savings for employers. Other employers, again through their insurer or on their own, are contracting with selected providers in the community whom they know provide high quality services at lower cost. Employees are not reimbursed for their medical expenses if they go to providers not covered under the employers' contract. This is called "selective contracting" and also has resulted in lower health care costs for employers.

In the same spirit, more and more employers are offering their employees the option of a health maintenance organization — an HMO. It is recognized that HMOs have strong incentives to control employees' utilization of services while still providing high quality of care.

The substantial success of these employer-directed cost containment initiatives is absolutely dependent on the ability to negotiate, and frequently to legally contract, with the local providers of health care services. A mandate for employers to pay in military facilities where this ability does not exist totally negates the employer efforts to contain health care costs. Furthermore, providers participate in these various private sector arrangements based not only on their desire to help control health care costs, but also because their continued existence depends upon a steady flow of patients coming from those employers. No such incentives exist with military facilities. The uncontrollable nature of their treatment and spending practices makes military hospitals poor partners for employers seeking to control their companies' health care costs.

The Negative Effect on Community Efforts to Control Health Care Costs

The escalation of health care costs has been so dramatic in recent years that communities at large have organized to collectively address the problem. In hundreds of communities across the country, coalitions of employers, insurers, providers, consumers, and labor representatives have been formed with the sole objective of bringing health care costs under control. These coalitions have a primary function of raising the business communities' level of information and understanding regarding the cost escalating forces affecting health care. They seek cost containment strategies which can be pursued by individual businesses, and they support community-wide strategies which can contain health care costs for everyone.

The major community-wide strategy is local and regional health planning. Supported by both federal and state laws, health planning provides some checks and balances on major new capital investments in health facilities. The aim is to prevent unnecessary duplication and excessive capacity development (which generates excessive costs) and to ensure that new investments are not so geographically located that significant population groups are denied access to care.

Blue Cross and Blue Shield Plans support these planning programs both through participation in the planning process and by using their contracts with hospitals to encourage (sometimes to require) compliance with health planning decisions. Most other third party payers, including both employers and unions, similarly participate in the planning process.

In addition to planning, some states have established payment mechanisms for all non-federal hospitals to contain overall hospital costs. Statewide or areawide budgets may be negotiated or caps set on the annual allowable increase in hospital costs.

DoD facilities by mission, law and policy are independent of such local and state strategies for cost containment — and that is not unreasonable, as long as the costliness of DoD facilities and services does not directly affect the local community's costs. If the new DoD policy is implemented, however, military facilities would contribute to community cost escalation, but would not be subject to any of these cost containment programs. At the local level — and that is where costs are incurred — this would be the equivalent of taxation without either representation or responsibility.

The Negative Effect on the Blue Cross and Blue Shield Organization's Cost Containment Efforts

It is also important to understand our concern about the new directive's effect on our own efforts to control health care costs. Blue Cross and Blue Shield Plans contract not only with their subscribers but also with health care providers. Participating hospitals agree to furnish services to our subscribers under terms specified in the contract. These terms are designed to assure patients of appropriate, high qualilty health care at reasonable costs. While the contract terms vary from community to community to meet local needs, they typically call for member hospitals to participate in areawide health planning processes, utilization review activities, and recertification programs. Most Plans require that new institutional health facilities and services be approved by state or local planning agencies before they are eligible for reimbursement. Plans negotiate reimbursement methods and levels with member hospitals with the objective of meeting community as well as institutional objectives.

Blue Cross and Blue Shield Plans have worked actively with employers to implement, often initiate, new cost containment programs. As an example, we have recently begun a specialized audit program to join with our existing audits of providers. Under this program all Blue Cross and Blue Shield Plans will:

- audit hospital bills to evaluate the accuracy of charges;

- audit hospital medical policies and procedures that affect the delivery of medical care and physician practices affecting the cost of care; and

- audit a hospital's compliance with the payment provisions of its contract with us.

We believe these and other requirements are critical to assuring adequate control over employers' health care dollars. Looking only at the issue of financial audits, we know that military hospitals have never undergone the level and type of audit performed by private insurers in community hospitals, and we question their capacity to do so without significant and costly changes in their accounting systems.

On another level, we are not at all convinced that military hospitals would be able to comply with the data needs of insurers. This is because insurers have required increasingly detailed billing information in order to assure not only the appropriateness of care, but just how reasonable the cost is. In addition, many private insurers are interested in following Medicare's lead in using diagnosis related groups (DRGs) as their payment basis. The DRG system requires sophisticated coding of a patient's diagnosis in order for payment to be generated. More generalized usage of this system would create a totally different and difficult set of requirements for military hospitals to meet.

In summary, we ask that you withdraw your directive to the Department of Defense. We do so because we believe that this initiative would seriously handicap employer, community, and Blue Cross and Blue Shield Plan efforts to control escalating health care costs.

DIAGNOSIS-RELATED GROUPS

Senator **Stevens**. I noted your comment where you said that many private insurers are interested in following medicare's lead in using diagnosis-related groups, the DRG's. Is Blue Cross and Blue Shield prepared to use that system?

Ms. **Lehnhard**. Some of the plans are. It varies tremendously plan by plan. Our Kansas plan is prepared and has, in fact, initiated a program that is based on years of data that they have collected. Very few of the other plans have that data, and it is not applicable in other States.

Senator **Stevens**. We will take a look at it. I am involved in that in another subcommittee, the Government Employees Subcommittee.

I am informed there is a request to the Armed Services Committee this year dealing with the same subject. Are you aware of that?

Ms. **Lehnhard**. We know the Department is looking at legislative language. The various branches have been asked to comment on it, and we know that it was sent back. We don't think there is a legislative proposal ready yet. What that would do is negate the terms of our private contracts even further.

Senator **Stevens**. Thank you very much. Nice to see you.

SCHIFFLI LACE & EMBROIDERY MANUFACTURERS ASSOCIATION

STATEMENT OF I. LEONARD SEILER, EXECUTIVE DIRECTOR, SCHIFFLI LACE & EMBROIDERY MANUFACTURERS ASSOCIATION, INC.

INTRODUCTION OF WITNESSES

Senator **Stevens**. Mr. Seiler, executive director, Schiffli and Embroidery Manufacturers Association, Inc.

Mr. **Seiler**. Good morning, Senator Stevens, honorable chairman of the Defense Subcommittee of the Senate Appropriations Committee.

Senator **Stevens**. It is nice to have you with us this morning. Would you list the names of the people who are with you, please, for the record?

Mr. **Seiler**. Yes. I am accompanied by special counsel Eugene Stewart, and our Government relations counsel, J. Philip Carlson.

MILITARY INSIGNIA PROCUREMENT

My name is I. Leonard Seiler. I am executive director of the Schiffli Lace & Embroidery Manufacturers Association, headquartered in Union City, N.J.

My members manufacture laces, embroideries, and emblems. It is on behalf of those members who specialize in the manufacture of military emblems and insignia that I speak for this morning.

We appreciate this opportunity to testify on the procurement of military insignia. We oppose a provision like section 753 of Public Law 98–212, which imposes a surcharge on military insignia, and Defense Department directive, dated September 1, 1983, which changes the ground rules for insignia procurement, and request continuation of the procedures which previously existed because:

One, a study conducted by the Logistics Systems Analysis Office pertaining to military clothing and accessories, dated November 1982, concluded that dual management by the Defense Personnel Support Center [DPSC], and the military exchange system of identical items should be eliminated.

Two, the Defense Department directive of September 1, 1983 does that, except for insignia. No justification for this exception was provided.

Three, the prices that our members, small New Jersey manufacturers, have been charging on open competitive bidding on each item procured by DPSC, have been reasonable and, according to the Logistics Systems Analysis Office study, two to seven times less expensive than that charged by commercial suppliers, middlemen, who sell to the military exchange system on the basis of long-term contracts. This is even after the congressionally mandated surcharge of 27.6 percent. Therefore, we see no financial or logical reason for making the change.

Four, all of the embroidery manufacturers, bidding for the embroidered military insignia posted by the Defense Personnel Support Center in Philadelphia, are small family-owned businesses with their own machines for manufacture. Whereas the commercial suppliers, middlemen, are larger in size, and almost all of them do not own Schiffli embroidering machines.

Five, purchases by the DPSC are all with appropriated funds, so the insignia they purchase must be manufacture in the United States. Whereas with the military exchange system, money are unappropriated and can and are used to make purchases anywhere in the world.

Six, we do not believe that it is the intent of the Government to drive these small businesses, who have loyally served the needs of the country's Armed Forces for some 50 years, and have the expertise and equipment to meet national emergencies, out of business, which is what the change in the procurement policy will do. Unfortunately, some of their employees—mostly Hispanic or other minority groups—have already been laid off and added to the high unemployment rolls of northern Hudson County because of the freeze on Government bids.

Seven, the change is even more devastating in that we only became aware of it when we inquired as to why no bids were forthcoming from DPSC-Philadelphia. We were then informed that a freeze was on, and it has lasted almost 6 months, pending implementation of the new procurement procedures. There was no freeze for the commercial suppliers to military exchanges who operate under long-term contracts. Why was this change made?

MILITARY EXCHANGE SYSTEM

In the fall of 1981, management of the military clothing sales store operations was delegated to the military exchange system. From then on, the commercial suppliers and middlemen of the military exchanges found themselves at a significant price disadvantage as to insignia, when their prices for insignia were compared to those supplied by DPSC, which made its purchases on an item by item basis in open competitive bidding.

The eight commercial suppliers, members of the Military Accessory Service Association then prevailed on Congress to add a surcharge to the DPSC price to account for all related expenses, including but not limited to management, storage, handling, transportation costs, disposal of obsolete material, management fees paid to the military exchange system, et cetera.

Despite this 27.6-percent increase, the commercial supplier-middlemen's prices were still 2 to 7 times higher on insignia when compared to DPSC prices. So naturally, servicemen were buying insignia supplied by DPSC, rather than those obtained by the military exchange through their long-term contracts with the commercial supplies.

The commercial suppliers, members of the Military Accessory Service Association, again petitioned Congress for relief. As a result, the previously mentioned study by the Logistics Systems Analysis Office was undertaken. Five members of the Military Accessory Service Association were interviewed, and not one of my members, this despite the fact that we have been manufacturing military insignia for some 50 years, meeting rigid Government specifications, meeting the needs of the military, whether it be 100 pieces or one-half-million pieces, and who even accelerated production when requested to do so or, on the other hand, granted continued requests for bid extensions, particularly in these past few months.

The fact is, it was only after the freeze was imposed that we learned of the long history of petitioning by the Military Accessories Services Association. We, unlike the Military Accessories Services Association, are not seeking special help. All we ask is that the procurement of military insignia conform to existing statutory policy of a reasonable, logical, and financial basis for implementation.

Public policy for Government procurement, expressed in the Federal Procurement Policy Act, requires, under section I, full and open competition in the procurement of products. This is the method used by DPSC, but not by the military exchanges in the purchasing of insignia.

Section II—Establishing policies, procedures, and practices which:

(a) will require the Government to acquire property and services of the requisite quality. We adhere to the requisite Government specifications. Commercial jobbers do not meet these same requisite specification.

(b) at the lowest reasonable cost. We are 2 to 7 times lower after the 27.6-percent surcharge than the commercial jobbers.

Without good supervision of quality and compliance with specifications, the Armed Forces could wind up with servicemen all wearing insignia with a different look.

Section IV—Avoiding or eliminating unnecessary overlap or duplication in procurement and related activities. The Logistics Systems Analysis Office study concurred with this requirement and said that mandated items be solely DPSC responsibility. The September 1, 1983, directive of the Defense Department also concurred, except for insignia. There is no valid basis to treat insignia differently from other military clothing. The DPSC has the expertise, and it is and has been in the position to buy on an economical basis.

Section X says, "Minimizing possible disruptive effects of Government procurement on particular industries, areas, or occupations." The proposed change will force these small businesses manufacturers of military insignia to large losses. Where they stock materials exclusively for the military work, that could force them out of business, which would certainly be disruptive to them, their minority employees, and the area involved.

Previous actions taken unbeknownst to us could be, as shown, threatening the destruction of this essential defense industry supplier, and not in keeping, when all the facts are known, with Federal procurement policy.

We do not believe that you intended this result, so we ask, now that you have been shown all the facts, that you take this opportunity to return matters to their proper path by deleting the insignia rider from the bill and substitute in its place a provision requiring the procurement of military insignia to conform to existing statutory policies, that is, purchase by a single agency, having the expertise to ascertain quality, using item by item advertising, and bid in open competition.

Thank your for your consideration of our testimony. With your permission, I would like to introduce into the record a resolution adopted by the Bergen County Board of Chosen Freeholders.

Senator STEVENS. Thank you.

Mr. STEWART. Mr. Chairman, Mr. Seiler previously submitted through counsel the full text of his prepared testimony to the committee. May it be included in the record?

Senator STEVENS. Yes; we will print it in the record in full.

Have you presented testimony to the authorizing committees?

Mr. STEWART. No, sir, not as yet.

Senator STEVENS. The rider is just an annual rider, you know, it expires at the end of this year. You are really addressing the 1985 bill now, so I would think that this would be a matter to be explored with the authorization committees if there is some inadequacy in the existing law. We will examine it, and ask the Defense Department to give their views on the presentation.

Mr. STEWART. Thank you very much.

Senator STEVENS. It is nice to see that you are accompanied by a distinguished counsel, who has spent many years on the hill.

Thank you very much.

Mr. SEILER. Thank you.

Mr. STEWART. Thank you very much.

[The prepared statement of Mr. Seiler follows:]

PREPARED STATEMENT OF I. LEONARD SEILER
ON BEHALF OF
SCHIFFLI LACE AND EMBROIDERY MANUFACTURERS ASSOCIATION

Mr. Chairman and Members of the Subcommittee:

My name is I. Leonard Seiler. I am the Executive Director of the Schiffli Lace and Embroidery Manufacturers Association. This is the trade association of domestic manufacturers of military insignia and other embroidered textiles produced on Schiffli embroidery machines. The members of our Association are family owned companies located in two counties of New Jersey who have served the Defense establishment of the United States for many decades as suppliers of embroidered military insignia. Until recently, our members were the principal suppliers of such insignia under open competitive bid procurement handled by the Defense Personnel Support Center, 2800 South 20th Street, Philadelphia, Pennsylvania (hereafter referred to as "DPSC").

In the FY 1981, 1982, 1983 and 1984 Defense Appropriations Acts, the Congress adopted a rider to the Act which changed the ground rules for insignia procurement in such a way that the Defense Department was subjected to pressure to transfer a large part of insignia procurement from DPSC to the Military PX Service. That Service makes its purchases from jobbers who procure insignia and other items of military clothing accessories from sources, including foreign, who are not required to produce to military specifications, without open competitive bid procedures. Our members have lost half or more of the customary volume of procurement of embroidered insignia formerly handled by the DPSC. Hardship, bankruptcy and the loss of the business investment of successive generations of owners, and the loss of jobs of their workers have been the result.

We believe that the Congress has acted without knowledge of all the pertinent facts in adopting the rider initially in the FY 1981 DOD Appropriation Act (P.L. 96-527, Section 764) and acted without regard to the facts available to it in renewing the rider in subsequent Defense Appropriations

Acts, the most recent version of which is Sec. 753 of the FY 1984 Defense Appropriations Act, Public Law 98-212.

It is the purpose of this testimony to outline the pertinent facts, explain our reasons for requesting that you not approve the rider in the FY 1985 Defense appropriations bill, and request your assistance in correcting the injustice and hardship which the adoption and renewal of the rider heretofore have unloosed upon our industry.

Sec. 753 of the FY 1984 Defense Appropriations Act, its predecessor provision, how it came to be adopted, and why it is an unjust and unreasonable law which directly contradicts the public policy of procurement of defense supplies under open competitive bidding.

Sec. 753 of Public Law 98-212, and its identically worded predecessor, Sec. 757 of Public Law 97-377, states as follows:

> Sec. 753. None of the funds appropriated by this Act shall be available for the purchase of insignia for resale unless the sales price of such insignia is adjusted to the extent necessary to recover the cost of purchase of such insignia and the estimated cost of all related expenses, including but not limited to management, storage, handling, transportation, loss, disposal of obsolete material, and management fees paid to the military exchange systems: Provided, That amounts derived by the adjustment covered by the foregoing limitations may be credited to the appropriations against which the charges have been made to recover the cost of purchase and related expense.

The rider was added to the FY '81 and FY '82 bills, and carried forward in the FY '83 bill by the Subcommittee on the Department of Defense, Committee on Appropriations, House of Representatives, under the Chairmanship of the Hon. Joseph P. Addabbo. The basis of that action appears to be testimony presented by an organization which styles itself the "Military Accessories Service Association". A spokesman for that group appeared before the subcommittee on August 10, 1982, and asked for -

> help from Congress in stopping the Defense Department's unfair and unrestrained competition with the full service insignia industry. (Hearings, Subcommittee on the Department of Defense of the Committee on Appropriations, House of Representatives, Part 10, p. 485)(hereafter, "House hearings, FY '83 DOD appropriation bill, p. ___").

The allegedly "unfair and unrestrained competition" consisted of the long-continued practice and policy under which the DPSC included in its open and competitive bid procurement of insignia quantities adequate for initial issue and for replacement needs of military personnel. When the Defense Department delegated to the military exchange services the responsibility for stocking and selling to servicemen replacement items of military clothing and accessories, it transferred to the services supplies of such articles whose procurement had been included in the open and competitive bid procedures of DPSC.

The jobbers who deal with the military exchange service to supply items not available from DPSC desired to secure the volume of insignia business which DPSC supplied. Their prices to the military exchange services were considerably higher than the low competitive bid procurement prices at which DPSC purchased the total insignia needs of the military services. So, their first move was to characterize their inability to compete against those prices and their desire to take over the volume of insignia business handled by the military exchanges as "unfair".

At the same time, the jobbers' spokesman asserted that they provided insignia to the military exchanges "at reasonable prices to our military personnel". (House hearings, FY '83 DOD appropriation bill, p. 485). Nothing can be further from the truth. It was in recognition that their prices were higher than those at which DPSC transferred its low competitive supplies to the military exchanges that the jobbers conceived of the substance of the rider. The idea was if DPSC could be forced to add on to the low prices at which it procured its total needs of insignia under open competitive bid so-called administrative overhead, the uplifted transfer price would enable the higher priced jobbers to be competitive. DPSC did as Congress instructed, and uplifted its insignia transfer prices to the military exchange services by 27.6%! But the jobbers were still unable to compete, and servicemen shopping in the PX for replacement insignia quite naturally preferred to buy the same quality, identical insignia as they had received as original issue. The quality was better (since DPSC insignia are manufactured under strict military specifications), and the price was lower.

Nothing daunted, the so-called "Military Accessories Service Association" told the House subcommittee -

> Instructing the Defense Department to get off the backs of the military insignia industry makes good sense for the American taxpayer. It will ensure an end to inefficient procurement of insignia that wastes taxpayer dollars. It makes good sense for the men and women of the Armed Services because they will be assured of an adequate supply of insignia at reasonable prices without undue delays. And finally, the policy makes good sense for the Department of Defense because they will be taken out of a business that they are not set up to conduct efficiently. (House hearings, FY '83 DOD appropriations bill, p. 487).

That testimony was - and is - arrant nonsense:

1. "Good sense" to the taxpayer means in this case that the individual serviceman who must now purchase his replacement insignia at the PX at the inflated prices required under the procurement of the insignia by the PX from the jobbers without open competitive bidding must pay an excessive price. The public budget is ostensibly reduced by removing the procurement from DPSC, but the persons who ought to be the primary concern of the Congress, the servicemen and women, are victimized by higher prices and inferior quality. There is also some possibility that the higher prices will lead to a subsequent adjustment of the uniform allowance, in which event the hardship will be lifted from the servicemen and women prospectively, but thereafter the alleged saving to the taxpayer disappears. For this reason the Department of Defense recommended deletion of the rider from the FY '83 defense appropriation bill: "This section, which imposes a surcharge on insignia that are purchased for resale is proposed for deletion. While the provision will result in a reduction in operation and maintenance expenses it will result in an increase in military personnel appropriation expenditures because the cost of insignia is included in computing the monetary clothing allowance paid to enlisted personnel." House hearings, FY '83 DOD appropriations bill, Part 9, pp. 786, 787.

2. The men and women of the Armed Services are assured only that

they will have to pay higher prices and receive substandard quality insignia since the jobbers are not required by the PX's to conform to the higher standard of military specifications for the insignia.

3. The DPSC and its predecessors have been procuring insignia for military personnel for countless generations. To assert that DPSC is not set up to conduct that procurement business efficiently is absurd. DPSC will continue to procure insignia to the exacting quality standards of military specifications at far lower prices than the jobbers will ever make available to the military exchange services.

4. The members of the so-called Military Accessories Service Association do not compete at DPSC for the supply of insignia under open competitive bidding. They have a different market they undertake to serve, the military exchanges. Their purpose in bad-mouthing the DPSC's quite cost-efficient procurement of high quality insignia is to force the transfer of the lion's share of total insignia procurement from DPSC to the military exchange services where they have the insiders' advantage of selling without ground rules which force open competitive bidding.

The House subcommittee was given an accurate and authoritative overview of the insignia demarche by the jobbers' group in its own investigative Report of September 23, 1981 (House hearings, FY '83 DOD appropriation bill, Part 8, Procurement Policies and Practices), as set forth on the following page:

> Management Costs Included in the Price of Insignia
>
> In each of the military services, clothing is managed through one of the stock fund subdivisions. Other than specialized clothing, military clothing, including insignia, is issued or sold to military personnel through the clothing sales stores, which in the Air Force and Army are managed by the military exchange systems. The military services are in the process of having the exchange systems assume management of all clothing sales stores' operations. A management fee is paid to the exchange systems for this service.
>
> When the exchange systems fully assume this function, they will provide the full range of items that had been handled by the services' clothing sales stores. Also, the exchange systems are authorized to requisition centrally managed clothing items from DPSC at the catalog price. The

> exchange systems have agreed to sell these items to military personnel at the catalog price without the addition of their customary markup. This arrangement was intended to assure that the personnel would not be required to pay more to the exchange than had been paid to the sales store. (Emphasis added).
>
> However, the DOD Appropriation Act, 1981 (P.L. 96-527 Section 764) stated none of the funds appropriated shall be available for the purchase of insignia for resale unless the sales price of such insignia is adjusted to the extent necessary to recover the cost of purchase of such insignia and the estimated amount of all related expenses, including but not limited to management, storage, handling, transportation, loss, disposal of obsolete material, and management fees paid to the military exchange systems, etc. (Emphasis quoted).
>
> The result of this directive was to increase the price of insignia bought from the exchange system/clothing sales store by military personnel. (House hearings, FY '83 DOD appropriation bill, Part 8, pp. 439).
>
> * * * * * * * * *
>
> Sales Price Comparisons
>
> The exchange systems' retail stores sell the insignia item (class 8455) which they purchase from DPSC, at the price they pay DPSC. This includes the management costs factor and the management fee, a total of 27.6 percent. These stores also buy similar items from commercial sources which they sell at their marked-on price. A comparison of the two sales prices for a representative selection of like items disclosed the sales prices of the insignia purchased from commercial sources exceeded the DPSC sales prices by a range of from 27 percent to 782 percent. The average price of the commercial source items exceeded the DPSC sales prices by 173 percent. (Emphasis added). House hearings, FY '83 DOD appropriation bill, pp. 439, 440).

Notwithstanding these facts, the House committee did not agree to delete the rider, and it became law as Sec. 757 of P.L. 97-377.

Concurrently with the House subcommittee's consideration of the FY '83 DOD appropriations bill, the Logistics Systems Analysis Office (LSAO) of the Department of Defense undertook a study of the management of military clothing and accessories (MCA), including insignia. Its report was issued in November 1982. Astonishingly, it described the "insignia manufacturing industry" as though it consisted only of members of the Military Accessories Service Association (MASA). While acknowledging that 31 companies manufacture insignia, that only 8 are members of MASA, and that members of MASA "generally deal directly with the military exchange systems," the LSAO visited only members of that Association. No contact whatsoever was had with the SCHIFFLI LACE AND

EMBROIDERY MANUFACTURERS ASSOCIATION or its members. It is our Association's members who contract directly with DPSC and who, over generations of service to the procurement mission of the Defense establishment, have accounted for the major portion of the supply of insignia for the military until the 1981-82 insignia demarche engineered by MASA. The LSAO report concedes that "most insignia manufacturers are highly dependent on their military product line" (LSAO Report, p. 15), but it ignored entirely the basic fact that, as DPSC suppliers, our members are directly and adversely affected by the policy which the LSAO was charged with studying. Yet we were never consulted, and our existence and defense procurement mission has been totally ignored. (See p. 9 and Appendix E, LSAO, Military Clothing and Accessories, November 1982)(hereafter, "LSAO Report"). Notwithstanding this lack of investigative objectivity, the LSAO Report contains the following findings which are pertinent to the subject matter of this testimony, namely the unfairness and unreasonableness of the rider to the DOD appropriations bills cited herein:

> Under the consolidation concept, the Services pay a management fee from O&M funds to the exchanges for merchandising DPSC items. The consolidation achieved cost savings to DoD and it improved system effectiveness by increasing convenience to the military customer. However, the consolidation also provided for comparison shopping since DPSC and commercial items were displayed side-by-side. As a result of price disparities between DPSC and commercial insignia, a significant drop in commercial insignia sales occurred which caused suppliers of commercial insignia to petition Congress for relief. Congress directed that the DPSC price on insignia include certain administrative costs incurred by DPSC as well as the management fee paid by the Services to the exchange system. The resulting surcharge costs military personnel approximately $2.1 million annually and has not significantly reduced the price disparities. (Emphasis added). (LSAO) Report, p. x).
>
> * * * * * * * * * *
>
> C. CONCLUSIONS.
>
> * * The same item should not be assigned to both DPSC and the military exchange systems for management.
>
> * * The insignia surcharge (including the Exchange Management Fee for insignia items, formerly paid by the Services from O&M funds) is an unfair burden on the military exchange customer.
>
> * * The surcharge has not significantly reduced the price disparities on insignia.
>
> * * Action to make the commercial insignia suppliers more price competitive should be taken in lieu of

> penalizing Service personnel monetarily. LSAO Repot, p. xi).
>
> * * * * * * * * * *
>
> D. RECOMMENDATIONS
>
> 1. DIRECT THE MILITARY SERVICES TO APPLY THE POLICY OF ONE-ITEM, ONE MANAGER TO THE ENTIRE RANGE OF MCA ITEMS.
>
> 2. SEEK APPROVAL FROM CONGRESS TO RELIEVE SERVICE PERSONNEL FROM PAYING THE INSIGNIA SURCHARGE, AND TO REINSTATE PAYMENT OF THESE COSTS FROM O&M APPROPRIATIONS CONSISTENT WITH ALL OTHER MILITARY SUPPLY MISSION ITEMS. (*Ibid*, p. xii).

The clear meaning of the above findings, conclusions and recommendations is that commercial insignia supplied by the MASA jobbers to the exchange services is not price competitive with that procured by DPSC; that it is an unfair burden on military personnel to force them to buy the commercial insignia at higher prices; that insignia should be treated as one item, and since insignia must be procured by DPSC for original issue, the replacement insignia for sale through the military exchanges should also be procured by DPSC. This would eliminate the unfairness to military personnel, reduce the cost to both the service men and women, and ultimately to the public, and would be consistent with the policy of one procurement manager for like items.

This meaning becomes plain when we examine the LSAO's actual specific evaluation of the effects of the insignia surcharge, and the Conclusions it draws from a consideration of those effects. They are as follows:

> 5. Effects of the Surcharge
>
> a. On Military Personnel. For the 12-month period of June 1981 through May 1982, military personnel paid approximately $2.1 million in surcharges on resale insignia. Many of these insignia are mandatory items for the individual; that is, the items are required by military regulations. Generally, these items are of the minimum acceptable quality and do not include optional higher quality items. Thus the cost burden of supplying insignia items required for performance of military missions is shifted to the individual military personnel.
>
> b. The Taxpayer. The $2.1 million in surcharges are credited to the O&M accounts of the Military Services. Thus it appears that the taxpayer is no longer paying the cost of procuring and distributing resale insignia. To the extent that the items are covered by the clothing allowance, the taxpayer is paying the individual through the Military Personnel appropriation in order to reimburse the O&M appropriation.

> c. Price Differentials. The price of commercial insignia items ranges from 2 to 7 times greater than DPSC procured insignia items. The addition of the surcharge does not close this gap sufficiently to make the commercial item price competitive.
>
> 6. Conclusions
>
> -- With the imposition of the surcharge as mandated in the 1981 Defense Appropriation Act and continued in the 1982 Act, the individual military personnel are being penalized monetarily because of a consolidation action which resulted in significant savings to the taxpayer.
>
> -- The consolidation resulted in putting commercial and DPSC insignia items near each other and facilitated comparison shopping. Because of the size of the price differential of many items, even the addition of the surcharge does not make the commercial item competitive and this objective is not achieved.
>
> -- To the extent that DPSC managed insignia are mandatory items of wear they are properly the responsibility of the military supply system. Therefore, the cost to manage and distribute these items should be funded by the O&M appropriation no less than weapons weapons (sic!) or ammunition.
>
> -- Action to eliminate the surcharge should be taken regardless of any changes in the allocation of item management responsibilities between DPSC and the exchange systems.
>
> -- Elimination of dual management would eliminate competition between similar commercial and DPSC managed items and should provide a basis for seeking relief from the insignia surcharge. (Emphasis added). (LSAO Report, pp. 20, 21).

The LSAO Report analyzes various alternatives for dealing with the problem of the surcharge. Alternative 4 provided that the then existing allocation of procurement responsibilities be maintained, with the exception that, for insignia, DPSC would manage only issue insignia, and the exchange services would procure replacement insignia. LSAO's evaluation of that alternative is as follows:

- Unclear delineation of responsibilities.
- Assignment not consistent with basic missions of DPSC and exchanges.
- Dual management continues.
- Negligible favorable impact on responsiveness during peacetime and potential decreased responsiveness in wartime.
- Net transfer of $1.5 million sales to DPSC.
- Increase cost to military patrons by $0.1 million.

- No change in O&M Costs for Exchange Management Fees. (Emphasis added)(LSAO Report, p. 33).

By contrast, LSAO's Alternative 1 provided for a clear-cut solution with DPSC continuing to manage all items of mandatory wear, including issue items (*e.g.*, insignia), and the military exchanges would manage all optional items. The LSAO Report evaluated this alternative, as follows:

- Clear delineation of responsibilities.
- Assignments consistent with missions of DPSC and exchanges.
- Dual management eliminated.
- Negligible adverse impact on responsiveness during peacetime and potential increased responsiveness in wartime.
- Net transfer of $32.8 million sales to DPSC.
- Reduce cost to military patrons by $3.5 million.
- Increase O&M cost for Exchange Management Fee by $4.2 million. (Emphasis added) (LSAO Report, p. 32).

Notwithstanding the above record, the House Committee rejected DOD's request that the surcharge rider be removed from the FY '83 DOD appropriation bill, and it was enacted into law as Sec. 757 of Public Law 97-377.

When the 'FY 1984 DOD appropriation bill was pending before your subcommittee, MASA submitted a statement (see Senate Hearings Before the Committee on Appropriations, Department of Defense Appropriations, Fiscal Year 1984, S. Hrg. 98-361 Pt. 4, pp. 241 *et seq.*)(hereafter, "Senate hearings, FY '84 DOD appropriation bill") in which it again misrepresented the composition of the military insignia industry and the effect of DPSC's procurement of embroidered military insignia on the taxpayer. *E.g.*, "Following consolidation, Congress determined that DPSC was artificially subsidizing the sale price of its insignia, thereby wasting tax-payer dollars and unnecessarily threatening the viability of commercial insignia suppliers". (*Ibid*, p. 242). The MASA statement referred to the LSAO study but failed to set forth its findings or its conclusions as to alternatives to eliminate the burden on the military personnel and the taxpayer of the insignia surcharge. Instead, MASA referred only to the *fourth* alternative, that DPSC be limited to the procurement of issue insignia, with all other insignia procurement to be handled by the military exchanges. MASA recommended that the rider be changed so as to prohibit DPSC's procurement and management of non-issue insignia items.

Your committee did not adopt MASA's proposed amendment, but the denouement of MASA's efforts had the same effect. It was April 1983 when MASA submitted its statement to your subcommittee. It referred to a draft DOD directive which would limit DPSC to procurement of issue insignia items, with the exchanges to manage all other insignia procurement. (Ibid, p. 243). MASA said "that directive will not be issued" according to its "sources at the Department". (Id.)

Four months later, the Acting Assistant Secretary of Defense, Manpower, Reserve Affairs and Logistics, Jerry L. Calhoun, issued a directive to his counterparts in the Army, Navy and Air Force and the Director of the Defense Logsitics Agency, dated 1 September 1983, announcing his selection of "a course of action that preserves the basic functions of the organizations responsible for supply support of military clothing and accessories (MCA) "that preserves the basic functions of the organizations responsible for supply support of these important items and brings greater uniformity in the relationship between the Defense Personnel Support Center (DPSC) and the Military Exchange systems." (The full text of the September 1, 1983 DOD directive is annexed to this testimony as Exhibit A).

First, the Directive stated, "the Services, DLA and the Military Exchanges are requested to identify MCA items that are dual managed and eliminate that condition by reaching agreement on which organization will be the manager." "If DPSC is selected as the manager, the Exchanges may not make supplemental purchases from commercial sources for backup stock, or make initial buys from commercial sources of DPSC-managed items being brought into the system, unless prior DPSC approval has been granted on a case-by-case basis."

Next, "DPSC will be designated inventory manager for all mandatory enlisted items. These are MCA items that enlisted personnel are required to have. Such items will be centrally stocked to the maximum extent feasible."

But, the directive stated, "With respect to insignia only, a different policy will apply." (Emphasis quoted). "Specifically, the Exchanges will purchase all insignia items offered for resale. DPSC will purchase insignia items issued to Service personnel at no personal cost. DPSC will not purchase any insignia items for the purpose of resale. The Services will not allow any particular insignia item to be issued to an individual in a quantity that exceeds the number of mandatory uniforms that such an individual must maintain. DPSC procurement of issue items will be in quantities that reflect this limitation on the Services."

Third, the directive noted, "The LSAO study recommended that we take action to seek Congressional relief from the insignia surcharge. We concur and are initiating discussions with the appropriate staffers toward this end."

Finally, the directive stated that "The study also recommended that the Services direct their respective Exchange Systems to work with commercial insignia suppliers to find ways to reduce prices. We believe that it would be particularly effective if the Exchanges improved and expanded their competitive bid procedures. In light of our decision on insignia management, we believe that the LSAO recommendation warrants special and prompt consideration."

So, what the Pentagon did in response to the political pressure of MASA, exerted through the appropriations committees, was to adopt LSAO's Alternative 1 for all items of military clothing and accessories, except insignia, and adopt Alternative 4 for insignia notwithstanding LSAO's findings that Alternative 4 was unfair to military personnel and jeopardized readiness in time of war.

The accommodation which DOD thought it was making to the interest of the appropriations committees in MASA's commercial insignia suppliers by adopting the September 1 directive was not requited. The House committee report issued on October 20, 1983, referred to the surcharge rider and stated "The Committee does not agree to the budget proposal to delete the general provision which requires the Department to charge a fair market price for items of insignia purchased by the Department of Defense for resale." (H.Rep. 98-427, p. 258). The Senate Committee's report stated, "The Committee recommends retaining the requirement that the Department charge a fair market price for insignia purchased for resale, in agreement with the House." (S. Rep. 98-292, p.195).

So, your committee and the House committee preferred the status quo ante. But the status quo ante addressed the state of affairs as it existed prior to the issuance of the September 1, 1983 directive by DOD, Exhibit A hereto, discussed above. Under the status quo ante, DPSC would continue to procure embroidered military insignia of the type required for use by military regulations and make available to the exchange services quantities for resale at a price including the 27.6% markup. Under that state of affairs, the great majority of required military insignia items would be procured by DPSC under open and competitive bid procedures, and the members of the SCHIFFLI LACE AND EMBROIDERY MANUFACTURERS ASSOCIATION, who historically have served the military establishment by supplying required insignia under open and competitive bid procedures, would continue to supply such requirements.

But the Pentagon did not conform its procedures to the status quo ante. Instead, the September 1, 1983 directive was implemented, on the following timetable:

> November 29, 1983: DPSC puts a freeze on the issuance of any advertisements for competitive bids on embroidered insignia;
>
> January 4, 1984: The Contracting Officer for embroidered insignia at the Defense Personnel Support Center for the first time informed members of our association, i.e., the suppliers on its bidders' list, that henceforth DPSC would procure only first issue insignia, and that the military exchanges would procure the remainder.
>
> January 4, 1984: Mr. Green, Army & Air Force Exchange Service, Dallas, informs our representative that the Exchange Service will procure insignia through the 8 commercial suppliers (i.e., the jobbers who are members of MASA), and that the members of our association,

the manufacturers who supply insignia to DPSC cannot sell insignia to the Exchange Service because of its contracts with the 8 suppliers.

January 11, 1984: Congressmen Robert G. Torricelli and Frank J. Guarini, representing Bergen and Hudson Counties in New Jersey (where the great majority of the members of this Association are located), and Senators Frank J. Lautenberg and Bill Bradley, wrote to Assistant Secretary of Defense, Manpower, Reserve Affairs And Logistics, Lawrence J. Korb, requesting that the change in the procurement of military insignia mandated by the September 1, 1983 DOD directive be postponed. (Exhibit B to this testimony). The letter pointed out that under the new policy an estimated 40% of DPSC's procurement of insignia would be shifted to the Army/Air Force Exchange System in Dallas, and that the 8 suppliers of commercial insignia who hold contracts with the AAFES would secure all of that business which had previously been supplied by the members of this Association. The letter pointed that "Not a single representative from the small insignia manufacturers was asked to testify at hearings" held by the appropriations subcommittee, and that "Not until a freeze on insignia contracts was imposed two months ago did any of these businesses know that changes were imminent." The Congressional representatives of our members pointed out that "these business people and their employees, who have dedicated their services to our military for decades, deserve a voice in the decisions made in their name and protection from financial collapse." A six months' postponement in the procurement changes and a full briefing on the impact of the changes was urgently requested.

January 20, 1984: One of our members, Schreyer Embroidery Co., Fairview, New Jersey, wrote to Mr. John G. Marcus, Office of the Deputy Director for Supply Policy & Programs, Office of the Assistant Secretary of Defense, Manpower, Reserve Affairs and Logistics, informing him that it is included in a group of "twelve companies who work almost exclusively on military insignia." The letter protested the new policy which denied Schreyer Embroidery and the other manufacturers their "right to bid competitively". The letter requested postponement of the procurement change to enable the company to "bring our side of the story to those involved in the decision making process".

January 30, 1984: Maurice N. Shriber, Director, Supply Management Policy, Office of the Assistant Secretary of Defense, Manpower, Installations and Logistics, replied to the Schreyer Embroidery letter of January 20, stating in pertinent part as follows: (Exhibit C to this testimony):

> ...he acknowledged that the DOD memorandum of September 1, 1983 was the basis of the procurement changes in insignia;
>
> ...the policy was designed to "permit Congress to remove the requirement for a surcharge on DPSC-procured insignia, which is approximately 28 percent at the present time and represents an out-of-pocket expense for all military personnel";
>
> ...DOD is "requiring the Exchanges to engage more fully in competitive bid procurements," wherein "companies such as your own will have an opportunity to win contracts with the Exchanges". To this end, DOD has "recently provided specific guidance to the Military Exchanges to help insure their full compliance with and support of competitive procedures." Thus, he believes DOD has met the concerns expressed in the Schreyer letter.

In point of fact, the military exchanges have not to this date and give no indication of using advertising and bid procedures for their procurement of embroidered insignia. The belief of the DOD spokesman that this is so is simply misplaced. The very foundation of their expectations that our members would be treated fairly simply does not exist.

Furthermore, the DOD expectation that its new procurement policy would permit the Congress to remove the rider requiring a surcharge on insignia supplied by DPSC to the military exchanges has not been realized. Congress kept the rider in the FY '84 Act, yet DOD implemented a sweeping procurement change to the detriment of military personnel, the taxpayer and our members, who have the right to expect better treatment from the defense establishment which we have served for generations in the supply of essential military insignia.

January 30, 1984: Acting Assistant Secretary of Defense, Manpower, Installations and Logistics, Jerry L. Calhoun, wrote to Senator Lautenberg responding to the joint Congressional delegation letter of January 7, referenced above. (The January 30 response is Exhibit D to this testimony). The letter repeats the points made in the letter of the same date signed by Maurice N. Shriber, Director, Supply Management Policy, to Schreyer Embroidery Company, outlined above, and adds the following additional pertinent comment:

> ..."Mr. Seiler also asked if the Exchanges will buy insignia overseas. You may advise him that, consistent with existing practice, the Exchanges will continue to buy from U.S. suppliers."

With due respect, we believe that the above quoted comment is grossly misleading. My point to Senator Lautenberg, which he relayed to DOD, was that the 8 jobbers are free to procure insignia from foreign sources. DOD's answer that the Exchanges will continue to buy "from U.S. suppliers" simply means what we already know to be the fact, that the exchanges propose to buy their entire requirements of military insignia from the 8 favored jobbers. While these jobbers are U.S. companies, they are free to purchase the insignia they resell to the exchanges from foreign sources. Our discussions with the AAFES in Dallas confirms our belief that this is so.

February 8, 1984: by letter to Senator Lautenberg (Exhibit E to this testimony) I responded point by point to the fallacies in Assistant Secretary of Defense Calhoun's letter of January 30:

> ...It is not more cost effective to procure required military insignia from commercial suppliers: as the LSAO report found,

> the price of commercial insignia ranges from 2 to 7 times greater than DPSC procured insignia items.
>
> ...competitive bidding by the exchanges in which our members could participate is simply out of the question: the exchanges purchase baskets of accessory items from the jobbers, only one item of which is embroidered insignia; only DPSC engages in open competitive bidding on embroidered insignia on an item by item basis.

February 24, 1984: Congressmen Torricelli and Guarini write to Assistant Secretary of Defense, Manpower, Reserve Affairs and Logistics Lawrence Korb (Exhibit F to this testimony) to confirm an oral report from John G. Marcus "that the recent inventory of insignia has uncovered a short-term need of 2.5 millon items" to be placed in procurement by DPSC. The letter makes the following points pertinent to the subject matter of this testimony:

> ..."Mr. Marcus suggested that the bidding practices to be used by the Exchange System will replicate those of DPSC. To date, we have seen no such order in print."
>
> ..."under current contracts between the Exchange System and large insignia wholesalers, the small embroiderers would be locked out of competition."
>
> ..."In addition, we are not satisfied with present assurances that future insignia suppliers will in fact be domestic manufacturers."
>
> ..."The embroiders of New Jersey have loyally produced low-cost insignia for the United States military for many decades. We urge you to formally adopt a policy preserving the bidding practices of DPSC. Such a program will suit the cost-saving needs of the Pentagon and protect the insignia industry."

The situation which confronts us then comes down to this: in an effort to achieve "fairness" for commercial jobbers of insignia in the procurement by the exchange services of replacement insignia, the appropriations committees adopted in the FY '81 bill, and renewed each year since, a provision requiring DPSC to add a surcharge equal to the value of administrative overhead incurred in the procurement process, so that DPSC insignia could be resold side-by-side with commercial insignia without the price benefit of a "subsidy". This provision has been faithfully adhered to by DPSC, but commercial insignia supplied the military exchanges by 8 jobbers, members of Military Accessories Service Association, Inc., are still non-competitive. In an effort to free itself of the burden of the surcharge, DOD (with a weather eye on the interest of the appropriations committees in the welfare of the 8 jobbers) has changed its procurement policies so that out of all military clothing and accessory items required for use by military personnel, only replacement items of insignia are to be procured by the military exchanges. Because of the higher price of the commercial insignia supplied under the exclusive contracts held by the 8 jobbers, this change in procurement policy will cost the military personnel in excess of $2.1 million annually in higher out-of-pocket costs, and ultimately will cost that amount to the taxpayer as higher clothing and accessory maintenance costs lead to higher uniform allowances. Moreover, the procurement of the replacement insignia by the military exchanges is not being handled by advertising and bid open competitive procurement by the exchanges. Finally, the commercially jobbers are free to procure the commercial insignia from foreign sources.

Consider this situation in the light of the public policy for government procurement expressed in Federal Procurement Policy Act, P.L. 96-83, 41 USC 401 et seq. That policy reads in pertinent part as follows:

> Sec. 2. It is declared to be the policy of Congress to promote economy, efficiency, and effectiveness in the procurement of property and services by and for the executive branch of the Federal Government by -
>
> (1) promoting the use of full and open competition in the procurement of products and services;
>
> (2) establishing policies, procedures, and practices which will require the Government to acquire property and services of the requisite quality and within the time needed at the lowest reasonable cost;
>
> * * * * * * * * *

> (4) avoiding or eliminating unnecessary overlapping or duplication of procurement and related activities;
>
> * * * * * * * * *
>
> (10) minimizing possible disruptive effects of Government procurement on particular industries, areas, or occupations.

Plainly, the existing state of affairs in procurement of required military embroidered insignia for replacement use by military personnel through procurement of commercial insignia by the military exchange services from a closed group of 8 commercial suppliers to the exclusion of the long-established insignia manufacturers instead of by DPSC through advertising and bid open competitive procurement violates this policy by -

... precluding the use of full and open competition in the procurement of required military insignia;

... requiring military personnel to pay from 2 to 7 times the cost of DPSC procured insignia for commercial insignia procured from the group of 8 jobbers without adherence to military specifications, defeating the policy of acquiring property and services of the requisite quality and within the time needed at the lowest reasonable cost;

... having the same items procured by two different agencies, DPSC and the military exchanges, under two different sets of specifications and procurement systems, thus defeating the policy of avoiding or eliminating unnecessary overlapping or duplication of procurement and related activities; and

... having the effect of disrupting the established manufacturing industry which for generations has served the defense establishment by the supply of embroidered military insignia under open competitive bid procedures, depriving them of 40% or more of their accustomed volume of business, where, the supply of military insignia being their only business, their economic destruction is inevitable; thus violating the policy of minimizing possible disruptive effects of Government procurement on particular industries, areas, or occupations.

The appropriations committees have set in motion a train of events which threaten the destruction of our essential defense industry. We do not believe you intend this result. Nor do we believe that you were at the times you took these actions, or now, fully informed of all the pertinent facts which pertain to your intervention in the procurement policies for military insignia.

We ask you to take such action in the FY '85 DOO appropriations bill as will set this matter right. We recommend that you delete the insignia rider from the bill and substitute in its place a provision requiring the procurement of military insignia to conform to existing statutory policies for the most cost-effective procurement of required military clothing and accessories items by a single procurement agency using item by item advertising and bid open competition.

Thank you for your consideration of this testimony.

I. Leonard Seiler
Executive Director
Shiffli Lace and Embroidery Manufacturers Association, Inc.
512 - 23rd St.
Union City, N. J. 07087

Eugene L. Stewart, Esq.
Stewart and Stewart
1001 Connecticut Ave. N.W.
Washington, D. C. 20036
Special Counsel.

EXHIBIT A

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON D.C. 20301

1 SEP 1983

MEMORANDUM FOR THE ASSISTANT SECRETARY OF THE ARMY (IL&FM)
ASSISTANT SECRETARY OF THE NAVY (S&L)
ASSISTANT SECRETARY OF THE AIR FORCE (RD&L)
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Military Clothing and Accessories (MCA)

After careful consideration of the viewpoints and concerns expressed on the study performed by the Logistics Systems Analysis Office (LSAO) on military clothing and accessories, we have selected a course of action that preserves the basic functions of the organizations responsible for supply support of these important items and brings greater uniformity in the relationship between the Defense Personnel Support Center (DPSC) and the Military Exchange systems. Your thoughtful support on the strategy and timing for implementation of the required actions is important to ensuring that operations continue effectively while changes are underway.

Representatives from the Services, DLA and the Military Exchanges are requested to identify MCA items that are dual managed and eliminate that condition by reaching agreement on which organization will be the manager. Guidance on selecting the manager is provided in the next paragraph. If DPSC is selected as the manager, the Exchanges may not make supplemental purchases from commercial sources for backup stock, or make initial buys from commercial sources of DPSC-managed items being brought into the system, unless prior DPSC approval has been granted on a case-by-case basis. This policy is not intended to preclude Exchanges from purchasing: (1) name-brand items or commercial alternatives (e.g., socks, shirts, shorts, belts) that are significantly different in quality or appearance from DPSC items and for which customers have demonstrated a demand; or (2) custom designed or tailored items. The Services will be responsible for determining which alternative items are suitable for purchase.

DPSC will be designated inventory manager for all mandatory enlisted items. These are MCA items that enlisted personnel are required to have. Such items will be centrally stocked to the maximum extent feasible. The Services have the option of selecting the applicable inventory manager for all other enlisted and all officer MCA items. With respect to insignia only, a different policy will apply. Specifically, the Exchanges will purchase all insignia items offered for resale. DPSC will purchase insignia items issued to Service personnel at no personal cost. DPSC will not purchase any insignia items for the purpose of resale. The Services will not allow any particular insignia item to be issued to an individual in a quantity that exceeds the number of mandatory uniforms that such an individual must maintain. DPSC procurement of issue items will be in quantities that reflect this limitation on the Services.

In addition, we believe that the Services should reconsider the need for the number of insignia currently available. The LSAO study indicates that approximately 12,000 insignia items are carried by the Exchanges and DPSC. It appears that this number exceeds any reasonable military need, and thus should be reduced. We suggest that the Services attempt to achieve a 10% reduction in the number of insignia items over the next 12 months. In this same vein, we also suggest that the Services assist DPSC in disposing of unnecessary stocks of insignia items. For example, the retention of insignia for military units that have been inactive for many years has produced negative publicity for DoD. Eliminating such items from the MCA inventory will be consistent with supply management practices for hardware items and is a step that can and should be taken at this time. Moreover, added emphasis should be given by the Services and DLA to standardizing articles, to improving specifications and quality and to ensuring that delivered articles meet prescribed specifications.

The LSAO study recommended that we take action to seek Congressional relief from the insignia surcharge. We concur and are initiating discussions with the appropriate staffers toward this end.

The study also recommended that the Services direct their respective Exchange Systems to work with commercial insignia suppliers to find ways to reduce prices. We believe that it would be particularly effective if the Exchanges improved and expanded their competitive bid procedures. In light of our decision on insignia management, we believe that the LSAO recommendation warrants special and prompt consideration.

In order to plan and schedule the various actions called for by this memorandum, DLA is requested to chair a task group composed of appropriate Service and Exchange members. Please submit a jointly-developed milestone plan to us within 60 days, and keep us advised of progress.

Jerry L. Calhoun
ACTG Assistant Secretary of Defense
(Manpower, Reserve Affairs & Logistics)

cc: Commander, Army and Air Force Exchange Service
Commanding Officer, Navy Resale and Services
Support Office
Commanding Officer, Marine Corps Exchange Service
ASA(M&RA)
ASN(M&RA)
ASAF(M,RA&I)
DASD(MP&FM)

EXHIBIT B

Congress of the United States
House of Representatives
Washington, D.C. 20515

January 11, 1984

Honorable Lawrence J. Korb
Assistant Secretary of Defense
Manpower, Reserve Affairs and Logistics
Department of Defense
Washington, DC 20301

Dear Dr. Korb:

Recent decisions by the Department of Defense to significantly alter the procurement process for United States military insignia pose a serious threat to the financial well-being of many small businesses in New Jersey. We urge you to postpone these changes immediately and help forestall drastic economic consequences.

Since the Second World War, a dozen independent embroidery firms and many more associated operations in southern Bergen County and northern Hudson County have dedicated their entire enterprises to producing insignia for the military. These companies held a great many of the Pentagon's $10 MILLION in insignia contracts awarded by the Defense Personnel Support Center.

Now, without any participation or prior notification, the Defense Department plans to cut an estimated 40% of these sales by shifting the post exchange insignia business to the Army/ Air Force Exchange System in Dallas. The association of eight large embroidery firms, which lobbied for over two years for this change, stands to reap windfall profits at the expense of the small companies. As is well known, these large firms currently have contracts for all of the exchange system business.

We are deeply disturbed, not only by the prospect of these businesses being financially undermined and the dislocation of hundreds of skilled workers, but by the covert nature of the decision-making process. The small companies were not once invited or even made aware of the two year-long negotiations with the large companies. Not a single representative from the small insignia manufacturers was asked to testify at hearings held by the House Defense Appropriations Subcommittee on this matter. Not until a freeze on insignia contracts was imposed two months ago did any of these businesses know that changes were imminent. Only through investigations by our offices were these changes uncovered.

We believe that these business people and their employees, who have dedicated their services to our military for decades, deserve a voice in decisions made in their name and protection from financial collapse. A postponement in the procurement changes for at least six months and full briefing on the impact of these changes is only decent. We expect nothing less.

Your prompt and personal attention to this matter will be greatly appreciated. Thank you for your consideration and we await an immediate response.

Sincerely,

Robert Torricelli
ROBERT G. TORRICELLI
Member of Congress

Frank J Guarini
FRANK J. GUARINI
Member of Congress

Frank R Lautenberg
FRANK R. LAUTENBERG
United States Senator

Bill Bradley
BILL BRADLEY
United States Senator

EXHIBIT C

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

SR
MANPOWER,
INSTALLATIONS
AND LOGISTICS

30 JAN 1984

Ms. Alice Schreyer
Schreyer Embroidery Co.
50 Industrial Avenue
Fairview, N.J. 07022

Dear Ms. Schreyer:

This is in response to your letter dated January 20, 1984, which expressed your concern regarding competitive procedures at Military Exchanges and requested postponement of procurement policy changes for military insignia.

The changes alluded to in your letter are those specified in our memorandum dated September 1, 1983 which defined the respective responsibilities of the Defense Personnel Support Center (DPSC) and the Military Exchanges. With regard to insignia, we specified that the Exchanges will purchase those offered for resale and that DPSC will purchase those issued to Service personnel at no personal cost. We also directed the Exchanges to work more closely with their commercial suppliers to seek ways to reduce insignia prices and to improve and expand their competitive bid procedures.

We believe that our policy achieves two important things. First, it resolves the problem addressed by Congress concerning DPSC's use of appropriated funds to purchase insignia that is closely similar to the insignia purchased by the Exchanges, who are not using appropriated funds for such purchases. This will permit Congress to remove the requirement for a surcharge on DPSC-procured insignia, which is approximately 28 percent at the present time and represents an out-of-pocket expense for all military personnel. Second, by requiring the Exchanges to engage more fully in competitive bid procurements, we hope to see insignia prices reduced overall because more companies such as your own will have an opportunity to win contracts with the Exchanges.

Regarding your concern about competitive procedures at the Exchanges, We have recently provided specific guidance to the Military Exchanges to help insure their full compliance with and support of competitive procedures. We believe our renewed emphasis on expanding the competitive procurement base accommodates the problems outlined in your letter and should permit all interested companies to have a broader range of insignia on which to bid, i.e., the 1500 or so items moving from DPSC to the Exchanges as well as the nearly 10,000 items already handled by the Exchanges. We believe that given a chance to work, the policy we announced last September will benefit our military personnel and all responsive insignia companies alike.

We hope that this information assists you in understanding our position. In the meantime, we plan to proceed with our procurements as outlined above in order to avoid running out of stock on critical insignia items.

Sincerely,

MAURICE N. SHRIBER
Director
Supply Management Policy

EXHIBIT D

THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

SR

MANPOWER,
INSTALLATIONS
AND LOGISTICS

30 JAN 1984

Honorable Frank R. Lautenberg
United States Senate
Washington, D.C. 20510

Dear Senator:

This is in response to your letter dated January 7, 1984 regarding the purchase of embroidered military emblems and insignia. Your constituent, Mr. I. Leonard Seiler, is concerned about the impact of our decision to move the responsibility for the purchase of certain insignia items from the Defense Personnel Support Center (DPSC) to the Military Exchanges.

In a policy memorandum dated September 1, 1983, we defined the respectiv responsibilities of DPSC and the Exchanges. With regard to insignia, we specified that the Exchanges will purchase those offered for resale and DPSC will purchase those issued to Service personnel at no personal cost. We also directed the Exchanges to work more closely with their commercial suppliers t seek ways to reduce insignia prices and to improve and expand their competitive bid procedures.

We believe that our policy achieves two important things. First, it resolves the problem addressed by Congress concerning DPSC's use of appropriated funds to purchase insignia that are closely similar to the insignia purchased by the Exchanges, which are not using appropriated funds for such purchases. This will permit Congress to remove the requirement for a surcharge on DPSC-procured insignia, which is approximately 28 percent at the present time and represents an out-of-pocket expense for all military personnel. Second, by requiring the Exchanges to engage more fully in competitive bid procurements, we hope to see insignia prices reduced overall because more companies such as those represented by Mr. Seiler will have an opportunity to win contracts with the Exchanges. Those companies will have a broader range of insignia to bid on since it will cover the 1500 or so items moving from DPSC to the Exchanges as well as the nearly 10,000 items already handled by the Exchanges. We believe that given a chance to work, the policy we announced last September will benefit our military personnel and all responsive insignia companies alike.

Mr. Seiler also asked if the Exchanges will buy insignia overseas. You may advise him that, consistent with existing practice, the Exchanges will continue to buy from U.S. suppliers.

We hope that this information will be useful in responding to Mr. Seiler and appreciate your interest in our program.

Sincerely,

Jerry C. Calhoun

Jerry C. Calhoun
[illegible] Assistant Secretary of Defense

EXHIBIT E

February 8, 1984

The Honorable Frank R. Lautenberg
United States Senate
Washington, D. C. 20510

Dear Senator Lautenberg:

Thank you for forwarding a copy of a letter you received from Jerry L. Calhoun, Assistant Secretary of Defense for Manpower, Installation and Logistics at the Department of Defense attempting to justify the change in the purchase of embroidered military insignia. His explanation is totally unsatisfactory.

Previously, I forwarded Tod Smircina, your staff member, the full text of Mr. Calhoun's Directive and excerpts from the Military Clothing and Accessories study dated November 1982 which prompted his directive.

Please note the opening sentence in the third paragraph of his directive which reads as follows: "DPSC will be designated inventory manager for all mandatory enlisted items." This was in keeping with the study which sought to eliminate dual management of the same items.

However, in the same paragraph we find "with respect to insignia only, a different policy will apply." Why? Certainly not because it is more cost effective to attempt a different policy when the study states on page 21 "c. Price Differentials. The price of commercial insignia items ranges from 2 to 7 times greater than DPSC procured insignia items. The addition of the surcharge does not close the gap sufficiently to make the commercial item price competitive." The 28 percent out-of-pocket expense for all military personnel is a bargain compared to paying 2 to 7 times the price. All embroidered military insignia should be the same for they must meet specifications see page 61, "In order to be available for sale in any of the exchange systems, each insignia item must receive approval from the Service. Army and Air Force insignia are approved by The Institute of Heraldry, Navy Insignia by NCTRF, and Marine Corps by MCLB, Albany." Thus, his first objective is not achieved.

As to the second, it is only the DPSC which purchases military insignia on an item by item basis by competitive bidding. The Exchanges have long term contracts for all of their needs, individual commercial suppliers. Each insignia is not subject to competitive bidding by the Military Exchanges.

We believe this more costly method of doing business in the face of enormous government deficits and the high cost-of-living for servicemen is disgraceful and unjustified and should be given no chance to work.

Contrary to Mr. Calhoun's allegation, his policy announced last September to various branches of the military, without any notice to their regular competitive suppliers, cannot benefit the military personnel and all responsive insignia companies alike. It only benefits the members of the Military Accessories Services Association who requested help because their pricing was too high. If you will turn to page 49 of the study you will see they were the only non-military companies contacted in the study so they cannot complain that we influenced the study-as we did not even receive the courtesy of being asked to contribute to the study.

Thus, you see that the information you forwarded is not useful for it does not answer our needs or give a sound basis for the action taken.

Therefore, we hope you will continue to pursue this matter to a more satisfactory conclusion for the servicemen, Department of Defense and we loyal suppliers of military insignia at competitive prices, 2 to 7 times lower than the commercial suppliers despite a 28 percent surcharge.

Thank you.

Respectfully,

I. Leonard Seiler
Executive Director

Schiffli Embroide
Manufacturers
Ass'n.

EXHIBIT F

Congress of the United States
House of Representatives
Washington, D.C. 20515

February 24, 1984

Honorable Lawrence Korb
Assistant Secretary of Defense
Manpower, Reserve Affairs and Logistics
Department of Defense
Washington, D.C. 20301

Dear Dr. Korb:

We are grateful for the prompt and effective assistance you and your staff offered the military insignia manufacturers of northern New Jersey. This letter confirms the verbal report from Mr. John G. Marcus that the recent inventory of insignia has uncovered a short-term need of 2.5 million items. Mr. Marcus reported that approximately $1.3 MILLION in contracts will be announced by DPSC shortly.

While this plan is a fair transition into the new insignia procurement process, we remain concerned about the financial future of the New Jersey embroiderers. Mr. Marcus suggested that the bidding practices to be used by the Exchange System will replicate those of DPSC. To date, we have seen no such order in print.

Various Defense Department memoranda mention maximizing competition and competitive bidding. None, however, rule out the kind of multiple item contracts which prohibit small manufacturers from competing. For instance, under current contracts between the Exchange System and large insignia wholesalers, the small embroiderers would be locked out of competition. In addition, we are not satisfied with present assurances that future insignia suppliers will in fact be domestic manufacturers.

The embroiderers of New Jersey have loyally produced low-cost insignia for the United States military for many decades. We urge you to formally adopt a policy preserving the bidding practices of DPSC. Such a program will suit the cost-saving needs of the Pentagon and protect the insignia industry. Thank you for your continued interest and we await your response.

Sincerely,

Frank J. Guarini

ROBERT G. TORRICELLI
Member of Congress

FRANK J. GUARINI, Jr.
Member of Congress

1984
BOARD OF CHOSEN FREEHOLDERS RESOLUTION

Res. No. 128

MEMBERS	AYE	NAY	NOT VOTING	ABSENT
Chadwick	✓			
Curran	✓			
Jones	✓			
M[illegible]lick	✓			
McNamara	✓			
Mola	✓			
Pavlick	✓			
Sklar	✓			
Calabrese, Dir.	✓			
TOTALS	9	—	—	—

Approved By MD

MRD:KJR:tp

Offered by Mola

Seconded by Chadwick

Date March 7, 1984

WHEREAS, since the Second World War, a dozen independent embroidery firms and many more associated operations in southern Bergen County and northern Hudson County have dedicated their entire enterprises to producing insignia for the military; and

WHEREAS, the above embroidery firms have held a great many of the Pentagon's $10 Million in insignia contracts awarded by the Defense Personnel Support Center after receiving competitive bids; and

WHEREAS, due to strong lobbying efforts for the past two years by a group of eight commercial suppliers, hearings were conducted before the House Defense Appropriations Subcommittee; and

WHEREAS, not a single representative from the small insignia manufacturers was asked to testify at the above hearings nor were the small companies ever made aware of the two-year long negotiations with the large companies; and

WHEREAS, the result of the above hearings was a directive issued by the Department of Defense, which takes effect on April 1, 1984, permitting the military exchanges to buy all resale insignia from the commercial suppliers, which stand to reap windfall profits at the expense of the small companies; and

WHEREAS, the effect of the above directive will be a severe impact on unemployment and the dislocation of many skilled workers and many affiliated businesses in Bergen and Hudson Counties; and

WHEREAS, this Board is deeply disturbed, not only by the prospect of these small local businesses being financially undermined and the dislocation of hundreds of skilled workers, but by the covert nature of the decision-making process; and

WHEREAS, this Board believes that these local business people and their employees, who have dedicated their services to our military for decades, deserve a voice in decisions made in their name and protection from financial collapse;

NOW, THEREFORE, BE IT RESOLVED, that the Bergen County Board of Chosen Freeholders supports the small independent embroidery firms and associated businesses in Bergen and Hudson Counties and calls upon the United States Department of Defense to postpone the effective date of any changes in their procurement procedures for embroidered military insignia for at least six months and be fully briefed on the impact of any proposed changes on small businesses;

BE IT FURTHER RESOLVED, that certified copies of this Resolution be forwarded to the Congress of the Untied States, Governor Thomas H. Kean, and the Schiffli Lace and Embroidery Manufacturers Association, Inc.

U.S. Army Reserve

STATEMENT OF MILTON BOGOLUB, COLONEL, U.S. ARMY RESERVE

RETENTION OF CIVILIAN MILITARY TECHNICIANS

Senator Stevens. Col. Milton Bogolub, do you represent the U.S. Army Reserve?

Colonel Bogolub. No, sir, I am a member of the Army Reserve.

Senator Stevens. Please go ahead.

Colonel Bogolub. Mr. Chairman, I sincerely appreciate the opportunity to appear and to personally thank you and the members of the subcommittee for the actions that have been taken concerning the retention of the civilian military technician. However, despite the congressional mandate, actions to circumvent congressional intent, which will in time attain complete conversion continue to be taken. Some examples are:

CIRCUMVENTION OF CONGRESSIONAL MANDATE

First, the continuing duplication of technician duties and positions by active Army and AGR personnel.

Second, the failure to adequately publicize and implement recent congressional directives concerning military technicians.

Third, failure to allocate the 800-plus civilian spaces authorized by the Congress.

Fourth, denial of the military status to the civilian military technician and continuing noncompliance with Army regulations which recommend proper assignment and utilitization of technicians in appropriate military positions in units they service.

Fifth, the continuing failure to properly utilize the senior SSAA's and concurrent reduction of their authority and scope of responsibility.

Sixth, continuation of policies which tend to create status quo or nonunit technicians and failure to properly plan for the use of status quo individuals as highly skilled and qualified mobilization assets.

Why replace the FTM military technicians, most of whom have more military qualifications, education, and expertise in Reserve affairs and management of Reserve units than the reservist who enters on active duty to replace them?

It certainly cannot be the lack of complete control since a military technician can be removed from his civilian position for unsatisfactory conduct or performance in his military position.

It is my belief that, it was hoped that by replacing the military technician, especially the senior SSAA's, they would be prevented from exposing the fact that the current management policies of the Reserve program are costing the American taxpayer millions of extra dollars each year with no proportionate increase in Reserve readiness or capability. In fact, these actions could lead to a dramatic reduction in readiness in the Army Reserve in years to come.

Despite congressional direction to the contrary, the fact that it is FORSCOM's intent not to change its original FTM plans is evidenced by its current policy to continue to plan to utilize the same full-time military strength it was using before Congress put a floor under the technician strength.

Although just recently authorized by FORSCOM to change the military TDA and cautioned to prevent duplication, hiring of active personnel whose duties duplicated technician's duties in whole or in part, continued unabated until Congress curtailed the fiscal year 1984 FTU allocations. Today, no plan or guidance on what to do with the duplications already existing have been promulgated.

Due to the many regulatory constraints involved, local arrangements to solve the problem are not particularly effective. In addition, many of the FTM positions not duplicating civilian jobs are still questionable since there is not a full-time job for many of these people in the Reserve unit that meets only 2 days a month.

Just recently the division for which I work recommended the elimination of up to 70 military spaces from its active military FTUS requirements due to duplication of and retention of civilian spaces and with no loss of readiness. While I believe that similar reductions should and could be made at other major commands, there still has been no reduction in Army's full-time support ramps.

This is at best questionable since, had their original plan been implemented, they would have cut over 3,000 GS-military technician spaces from the rolls. It should also be noted that to date the Army has failed to hire or even initiate any actions to attempt to hire the additional technicians authorized by the Congress in 1983.

Fully realizing they cannot justify the tremendous cost differences, the overstaffing and duplications of the FTM program, FORSCOM is now using readiness as one of its major justifications. While taking deliberate actions to adversely affect the military technician's ability to continue to be a direct mobilization asset to his unit, their actions have resulted in the filling of thousands of Reserve spaces by full-time military personnel.

Since it denies the citizen-soldier training as well as promotion opportunities that would otherwise be available, it does not increase mobilization readiness, in fact, it impedes it, and it does not increase unit readiness, it just costs a lot more money.

There is no doubt that stability and continuity of a technician work force is one of the primary benefits to the Reserve program. Through the years, the technician acquires an expertise in unit and Reserve affairs that permits the unit to operate in the reduced timeframes available. The technician becomes the expert that the Reserve commander needs in management, personnel, training, logistics, budget, and other unit functions. The technician is also the institutional memory so vital to the program.

Army regulation 140-135 requires that commanders use Army Reserve technician personnel to the greatest extent possible in a dual civilian/military capacity.

Despite these clear-cut policies, this has not been the policy of the Army. The position of the technician in the unit has been bastardized by many factors, such as tenure, political concerns, personal animosities, test programs, desires and opinions of commanders and staff officers, both active and Reserve, who, without necessary expertise, implement policies in violation of law and regulation that change and deemphasize the military aspects of the military technician program, resulting in many of the problems we face today.

FORSCOM and especially its civilian personnel officers have effectively mismanaged the dual status technician program for years, basically since responsibility was moved from the office, chief of Army Reserve.

In order to insure that the full time AGR person would remain a viable mobilization asset, the Army gave him thousands of dollars a year more in base pay and tax-free benefits than the civilian military technician—for doing the same job. In addition, it had to create a vast infrastructure to manage the AGR full-time manning.

All of this when all that was required to insure the mobilization availability of the technician was to insure compliance with their own existing regulations concerning employment and utilization of technicians, modify others to assure proper assignment to appropriate positions and a more responsive management system for the technician to insure civilian and military careers are managed simultaneously.

PROPER UTILIZATION OF STATUS QUO INDIVIDUALS

Since 1970 dual civilian/military status has been a requirement. If the following recommendations are adopted, the number of status quo technicians can be significantly reduced and the remaining status quo individuals properly utilized.

One, permit active unit membership until civil service eligibility for retirement is attained, and for at least 5 years after the technician's mandatory removal date. Since active Army personnel are considered a viable mobilization asset for 5 years after retirement, there should be no question that this should be policy for the Reserve technician. Continued unit membership would be subject to age and physical limitations set forth by law.

Two, strict adherence to the provisions of AR 140-135 concerning proper unit assignment of technicians.

Three, permit enlisted technicians to be retained in their units under the same conditions as active personnel can be retained on active duty.

Four, limitation of tenure policies as it affects technician incumbents of designated positions.

Five, permit removal of technicians under certain adverse circumstances not under their control such as passover for promotion.

Six, identify civilian mobilization requirements and the availability of an already assigned status quo technician to fill these requirements as is similarly done with active Army retirees.

Seven, require status quo technician to sign an agreement to mobilize as civilians with their units for appropriate civilian mobilization vacancies.

CAREER PROGRESSION REQUIREMENTS

While recommending changes in technician retention and tenure, I am by no means suggesting the almost total disregard of the career progression requirements of the reservist as in the case of the FTM program.

Under the FTM program, more than 21,000 spaces will be taken from the Reserve and National Guard units, permanently blocking normal career progression for the reservist in many career fields. The military technician program is more flexible and the technician can properly bill a variety of appropriate positions in a unit allowing for training of pure reservists in those positions required for their development.

In recent years, many ill-advised personnel regulations were published. Many of those pertaining to promotion, retention and tenure are especially damaging to the Reserve program.

The position that these regulations create upward movement has no real basis in fact and I defy the perpetrators of those policies to show any real benefit to the Reserve units over the years, except possibly decreased readiness, unwarranted influence on Reserve commanders, and an increase in the ranks of the depleted IRR.

Tenure also has negative effect on unit morale, MOS qualification and proper utilization of Reserve personnel. Continuity, brought about by long periods of closely working together, has been proven to be the strength of the Army Reserve.

FULL-TIME MANNING UTILIZATION

Full-time manning utilization active personnel is not new. Every time it was tried in the past, it failed dismally. With generally greater amount of leave, pass privileges, and unlimited sick time, et cetera, the active duty person spends less time on the job than the dual status technician.

Add to this the relative inexperience of the military person in comparison to the career dual status technician, and apply the inexperience to productivity, the hourly loss becomes greater. The division's full-time manning screening board, on which I was present, found that what we got was what was available, but not what was best.

We have now found through experience that proper management of the careers of the AGR soldiers is almost impossible and that the opportunity for 20 years of active duty is questionable for most. The realization that 20-year careers are not readily attainable has further reduced the availability of the AGR soldier.

Additionally, as initial tours of duty in their hometowns run out and reassignment becomes necessary, many AGR personnel leave the program. As a result, replacements are irregular, leaving units with reduced or no full-time support for long periods of time.

SUPERVISION AND CONTROL OF AGR AND AC PERSONNEL

Supervision and control of AGR and AC personnel is an enigma. In the real Army, there is no problem with a senior civilian, with our without military status, supervising a military person.

In the Reserve FTM world, the full-time Reserve soldier is not to be rated by his full-time supervisor, but is rated by the part-time Reserve chain only, as required by FORSCOM, which creates an inconceivable rating situation.

Regardless of what input the full-time supervisor is allowed, we know that in the Army you must be somewhere in the rating chain if you are truly to influence a subordinate's actions.

The key to a Reserve commander's ability to attain his unit's goals is the time and qualified people available to help him. There is no doubt that a much greater increase in the readiness could be brought about by use of civilian military technician—in far less numbers than that of the AGR and AC personnel now on board.

If the ill-advised full-time manning experiment proved anything, it proved what many studies in the past had stated. The civilian technician program was extremely understaffed, but instead of providing the help needed, the Reserve was flooded with active officer and senior NCO's. For instance, simply typing a report is almost unheard of and help to run our Reserve centers has never been properly provided.

In an experimental field study of organizational and social factors affecting accessions and retention in the Reserve, a team of seven U.S. Military Academy faculty members came to the conclusion:

The Reserves are not the active Army in character, resources, personnel or normal day-to-day mission. Because this has not been recognized, there has been a failure to adapt the Army model of training, discipline, organization, rewards, leadership, et cetera, to the Reserves. Rather, what has been attempted is direct imposition of a structure which does not fit. The consequences are low morale, recruitment failures and losses, and even subversion of military processes and regulations.

This failure to recognize the strain caused by imposing requirements on Reserve units that force them to try to fulfill a mirror image of the active Army on a part-time basis threatens the capacity of the Reserve to fulfill their single-most important task, readiness, for effective mobilization to reinforce the active Army where called upon.

Another area I feel has a bearing on FORSCOM's seemingly unreasonable efforts to implement full-time manning is the strong possibility of conflict of interest on the part of many Army Reserve officers on limited tours of active duty who are actively engaged in staff formulation on the FTM program, since it will mean extension of their own active duty careers.

Added to this is the reluctance of many current Reserve commanders and staff personnel to oppose the active Army and speak up against FTM for fear of loss of position or drill pay.

In conclusion, I firmly believe there is absolutely no valid reason for, or benefit to be derived from, the full-time manning program. The civilian dual status miliary technician, properly managed, utilized, and assigned, provides the Reserve commander with the only feasible solution to the problem of full-time support.

He fills a mobilization need, provides continuity, expertise, dedication, and increases readiness. He is not as costly as the AGR or AC full-time manning, thereby saving the American taxpayer millions of dollars each year. We should not change a viable system to one that reduces the stability and expertise so vital to the success of the U.S. Reserve.

Thank you again for the opportunity to testify before the subcommittee and present the military technician's view of the proposed full-time manning program.

[The prepared statement of Colonel Bogolub follows:]

PREPARED STATEMENT OF MILTON BOGOLUB

COLONEL, FIELD ARTILLERY, USAR
SUPERVISORY STAFF ADMINISTRATIVE ASSISTANT
78TH DIVISION (TRAINING)

Mr. Chairman, I sincerely appreciate the opportunity to appear and to personally thank you and the members of the Subcommittee for the actions that have been taken concerning the retention of the civilian Military Technician.

However, despite the Congressional mandate, actions to circumvent Congressional intent, which will, in time, attain complete conversion, continue to be taken. Some examples are:

1. Continuing duplication of Technician duties and positions by active Army and AGR personnel.
2. The failure to adequately publicize and implement recent congressional directives concerning military technicians.
3. Failure to allocate the 800 plus additional civilian spaces authorized by the Congress.
4. Denial of the military status of the Civilian Military Technician and continuing non-compliance with Army regulations which recommend proper assignment and utilization of Technicians in appropriate military positions in units they serve.
5. The continuing failure to properly utilize the senior SSAA's and concurrent reduction of their authority and scope of responsibility.
6. Continuation of policies which tend to create "Status Quo" or non-unit Technicians and failure to properly plan for the use of Status Quo individuals as highly skilled and qualified mobilization assets.

Why replace the Military Technicians, most of whom have more military qualifications, education and expertise in Reserve affairs and management of Reserve units than the Reservist who enters on active duty to replace them? It certainly cannot be lack of complete control since, the Military Technician can be removed from his civilian position for unsatisfactory conduct or performance in his military position.

It is my belief that, it was hoped that by replacing the Military Technician, especially the SSAA's, they would be prevented from exposing the fact that the current management policies of the Reserve Program are costing the American taxpayer millions of extra dollars each year with no proportinate increase in Reserve readiness or capability. In fact, these actions could lead to a dramatic reduction in readiness in the Army Reserve in years to come. Despite Congressional direction, to the contrary, the fact that it is FORSCOM's intent not to change its original FTM plans is evidenced by its current policy to continue to plan to utilize the same Full Time Military Strength it was using before Congress put a floor under current Technician strength. Although just recently authorized by FORSCOM to change the Military TDA and cautioned to prevent duplication, hiring of active personnel whose duties duplicated Technician's duties in whole or in part, continued unabated, until Congress curtailed the FY 84 FTUS allocations. No plan or guidance on what to do with the duplications already existing has been promolgated. Due to the many regulatory constraints involved, local arrangements to solve the problem are not particularly effective. In addition, many of those FTM positions not duplicating civilian Technician jobs are still questionable since there is not a full time job for many of these people in a Reserve unit that meets only two days a month.

Just recently the Division for which I work recommended elimination of up to 70 Military spaces from its active military FTUS requirements due to duplication of and retention of civilian spaces and with no loss of readiness. While I believe that similiar reductions should and could be made at other major commands, there has been no reduction in the Army's Military full time support ramps.

This is, at best, questionable since, had their original plan been implemented, they would have cut out over 3,000 spaces (GS Military Technicians) from the program. It should also be noted that to date the Army has failed to hire or even initiate any actions to attempt to hire Technicians authorized by the Congress in Dec 83.

Fully realizing they cannot justify the tremendous cost differences, the overstaffing, and the duplications of the FTM program, FORSCOM is now using readiness as one of its major justifications. While taking deliberate actions to adversely affect the Military Technician's ability to continue to be a direct mobilization asset to his unit, their actions have resulted in the filling of thousands of Reserve spaces by full time military personnel. Since it denies the Citizens Soldier training as well as promotion opportunities that would otherwise be available, it does not increase mobilization readiness, in fact, it impedes it, and does not increase unit readiness, just costs more money.

There is no doubt that the stability and continuity of the Technician workforce is one of the primary benefits to the Reserve program. Through the years, the Technician acquires an expertise in unit and Reserve affairs that permits the unit to operate in the reduced timeframes available. The Technician becomes the expert the Reserve commander needs in management, personnel, training, logistics, budget and other unit functions. The Technician is also the institutional memory so vital to the program.

Army Regulation 140-315 requires that commanders use Army Reserve Technician (ART) personnel to the greatest extent possible in a dual civilian/military capacity.

Despite these clear-cut policies, this has not been the policy of the Army. The position of the Technician in the unit has been basterdized by many factors such as tenure, political concerns, personal animosities, test programs, desires and opinions of commanders and staff officers, both active and Reserve who, without necessary expertise, implement policies in violation of law and regulation that change and de-emphasize the military aspects of the Military Technician program, resulting in many of the problems we face today.

FORSCOM and especially its Civilian Personnel Officers have effectively mismanaged the Dual Status Technician Program for years, basically since responsibility was removed from Office, Chief of Army Reserve.

In order to insure that the full time AGR person would remain a viable mobilization asset, the Army gave him thousands of dollars a year more in base pay and tax free benefits than the civilian Military Technician--for doing the same job. In addition, it had to create a vast infra-structure to manage the AGR Full Time Mannen. All this when all that was required to insure the mobilization availability of the Technician was to insure compliance with their own existing regulations concerning employment and utilization of Technicians, modify other regulations to insure proper assignment of Technicians to appropriate positions and a more responsive management system for the Technician to insure civilian and military careers are managed simultaneously.

Since 1970, dual civilian/military status has been a requirement. If the following recommendations are adopted, the number of Status Quo Technicians can be significantly reduced and the remaining Status Quo individuals properly utilized.

(1) Permit active unit membership until Civil Service eligibility for retirement is attained, and for at least 5 years after the Technician's mandatory removal date. Since active Army personnel are considered a viable mobilization asset for five years after retirement, there should be no question that this should be policy for the Reserve Technician. Continued unit membership would be subject to age and physical limitations set forth by law.

(2) Strict adherence to the provisions of AR 140-315 concerning proper unit assignment of technicians.

(3) Permit enlisted technicians to be retained in their units under the same conditions as active personnel can be retained on active duty.

(4) Limitation of tenure policies as it effects Technician incumbents of designated positions.

(5) Permit removal of Technicians under certain adverse circumstances not under their control such as passover for promotion.

(6) Insuring dual status Technician representation on any Qualitative Retention Board or any other board considering military retention of a Technician.

(7) Permit military status and/or qualification to be considered when making a selection to fill a Technician position.

(8) Identify civilian mobilization requirements and the availability of an already assigned Status Quo Technician to fill these requirements as is similarly done with active Army retirees.

(9) Require Status Quo Technicians to sign an agreement to mobilize as civilians with their units for appropriate civilian mobilization vacancies.

While recommending changes in Technician retention and tenure, I am by no means suggesting the almost total disregard of the career progression requirements of the Reservist as in the case in the FTM Program.

Under the FTM Program, more than 21,000 spaces will be taken from the Reserve and National Guard units, permanently blocking normal career progression for the Reservist in many career fields. The Military Technician Program is more flexible and, the Technician can properly fill a variety of appropriate positions in a unit allowing for training of pure Reservists in those positions required for their development.

In recent years, many ill-advised personnel regulations, were published. Many of those pertaining to promotion, retention and tenure are especially damaging to the Reserve Program.

The position that these regulations create upward movement has no real basis in fact and I defy the perpetrators of these policies to show any real benefit to the Reserve units over the years, except possibly decreased readiness, unwarranted influence on Reserve Commanders, and an increase in the ranks of the depleted IRR. Tenure also has negative effect on unit morale, MOS qualification and proper utilization of Reserve personnel. Continuity, brought about by long periods of closely working together, has been proven to be the strength of the Reserve.

Full Time Manning utilizing active personnel is not new. Every time it was tried in the past it failed dismally. With the generally greater amount of leave, pass priviledges and unlimited sick time, etc., the active duty person spends, less time on the job than the dual status Technician. Add to this, the relative inexperience of the military person in comparison to a career dual status Technician, and apply the inexperience to productivity, the hourly loss becomes greater. The Division's initial Full Time Manning screening Board found that what we got was what was available, not what was best.

We have now found through experience that proper management of the careers of the AGR soldiers is almost impossible and that the opportunity for twenty years of active duty is questionable for most. The realization that twenty year careers are not readily attainable have further reduced the availability of the AGR soldier. Additionally, as initial tours of duty in their home towns run out and reassignment becomes necessary, many AGR personnel leave the program. As a result replacements are irregular, leaving units with reduced or no full time support for long periods of time.

Supervision and control of AGR and AC personnel is an enigma. In the real

Army, there is no problem with a senior civilian, with or without military status, supervising a military person. In the Reserve FTM world, the full time Reserve soldier is not to be rated by his Full Time Supervisor, but is rated by the part time Reserve chain only, as required by FORSCOM, which creates an inconceivable rating situation. Regardless of what input the Full Time Supervisor is allowed, we know that in the Army you must be somewhere in the rating chain if you are truely to influence a subordinate's actions.

The key to a Reserve commander's ability to attain his unit's goals is the time and qualified people available to help him. There is not doubt that a much greater increase in readiness could be brought about by use of civilian Military Technicians--in far less numbers than that of the AGR and AC personnel now on board. If the ill-advised Full Time Manning experiment proved anything, it proved what many studies in the past had stated. The civilian Technician Program was extremely understaffed; but instead of providing the help needed, the Reserve was flooded with active officers and senior NCOs. For instance, simple typing support is almost unheard of and help to run our Reserve centers has never been properly provided.

An experimental field study of organizational and social factors affecting accessions and retention in the Reserve, a team of seven US Military Academy (West Point) faculty members came to the conclusions.

> "The Reserves are not the active Army in character, resources, personnel or normal day-to-day mission. Because this has not been recognized, there has been a failure to adapt the Army model of training, discipline, organization, rewards, leadership, etc. to the Reserves. Rather, what has been attempted is direct imposition of a structure which does not fit. The consequenses are low morale, recruitment failures and losses, and even subversion of military processes and regulations. This failure to recognize the strain caused by imposing requirements on Reserve units that force them to try to fulfill a mirror image of the active Army on a part-time basis threatens the capacity of the Reserve to fulfill their single most important tasks, readiness, for effective mobilization to reinforce the active Army where called upon."

Another area I feel has a bearing on FORSCOM's seemingly unreasonable efforts to implement Full Time Manning is the strong possibility of conflict of interest on the part of many Army Reserve officers on limited tours of active duty who are actively engaged in staff formulation on the FTM Program, since it will mean extension of their own active duty careers. Added to this is the reluctance of many current Reserve commanders and staff personnel to oppose the active Army and speak up against FTM for fear of loss of position or drill pay.

In conclusion, I firmly believe there is absolutely no valid reason for, or benefit to be derived from, the Full Time Manning Program. The civilian dual status Military Technician, properly managed, utilized and assigned, provides the Reserve commander the only feasible solution to the problem of full time support. He fills a mobilization need, provides continuity, expertise, dedication, and increases Readiness. He is not as costly as the AGR or AC Full Time Manner, thereby saving the American taxpayer millions of dollars each year. We should not change a viable system to one that reduces the stability and expertise so vital to the success of the United States Army Reserve.

Thank you again for the opportunity to testify before this Subcommittee and present the Military Technician's view of the proposed Full Time Manning Program.

BIOGRAPHICAL SUMMARY

DATE: 3 AUGUST 1978

BOGOLUB, Milton 145-22-1770
Colonel, USAR 145-22-1770
DOB: 20 April 1930, Brooklyn, N.Y.
Home Address: 1933 William St., Union, N.J. 07083

Present Assignment: RCPAC
Civilian Position: Supervisory Staff Administrative Assistant, 78th Division (Tng)

Enlisted Service: 4 August 1948-22 November 1953
Commissioned Service: 23 years, 8 months, 10 days as of 3 Aug 78

Military Schools:

USAAGS, Series	1952
USAAMA, Arty Off Adv Crse	1964
CGSC (Ext)	1967
NWC, Nat'l Strategy Sem	1967
USA Mgmt Sch, Mgmt Crse	1969
ICAF Strategy Seminar	1973
US Army War College	1974
Army Install Mgmt Crse	1977
Sr Off Legal Orientation	1978

Promotions:

2LT	USAR	23 Nov 53
1LT	USAR	23 Nov 56
CPT	USAR	27 Feb 59
MAJ	USAR	8 Apr 64
LTC	USAR	12 Aug 68
COL	USAR	9 Nov 73

US Decorations: AFRM w/X Device, ARCOM w/Oak Leaf Cluster, ARCAM w/Oak Leaf Cluster, MSM

Military Assignments:
USAR not on EAD:
PL, AAA W Btry, NJ Mil Dist ....Nov 53-Nov 55
Btry XO, 430 AAAW Bn ....Nov 55-Jun 56
Adj, 430 AAAW Bn ....Jun 56-Dec 56
Btry Cdr, 430 AAAW Bn ....Jan 57-Apr 59
Aide-de-Camp ....Apr 59-Dec 60
Cdr, 78th Res Co, 78th Div (Tng) ....Jan 61-Jun 61
Dep CofS, HHC 78th Div (Tng)............Jun 61 - Feb 62
Bn XO, 2 Bn 311 Regt, 78th Div (Tng).....Feb 62 - Mar 64
Dep CofS, HHC 78th Div (Tng) ....Mar 64 - Mar 68
Asst Cofs, G2, 78th Div (Tng) ....Apr 68 - Dec 70
Bn Cdr, 78th Spt Bn, 78th Div (Tng)......Jan 71 - Jul 73
GP Cdr, 78th Comm Gp, 78th Div (Tng).....Jul 73 - Jun 74
Bde Cdr, 4 Bde (CST) 78th Div (Tng) .....Jul 74 - Oct 75
Actg CofS, 78th Div (Tng) ....1 Nov 75 - 20 Mar 78
Chief of Staff, 78th Div (Tng) ....20 Mar 78 - 31 Nov 78
78th MTC (Atch to Div Headquarters)............1 Dec 78 - 31 Jul 79
RCPAC ....1 Aug 79 - TO DATE

ARMY REGULATION
No. 140-315

HEADQUARTERS
DEPARTMENT OF THE ARMY
WASHINGTON, DC, *1 January 1982*

ARMY RESERVE

EMPLOYMENT AND UTILIZATION OF US ARMY RESERVE TECHNICIANS

Effective 1 February 1982

This revision clarifies requirements and guidance for the employment and utilization of US Army Reserve technicians. It also updates job titles and office designations. Local limited supplementation of this regulation is permitted, but is not required. If supplements are issued, HQDA agencies and major Army commands will furnish one copy of each to HQDA(DAPE-MPO-FTS), WASH DC 20310; other commands will furnish one copy of each to the next higher headquarters.

Interim changes to this regulation are not official unless they are authenticated by The Adjutant General. Users will destroy interim changes on their expiration dates unless superseded or rescinded.

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Appendix A.	Parallel Civilian/Military Assignments	

1. Purpose. This regulation establishes policies and procedures for the employment, utilization, and separation of US Army Reserve technicians (ART).

2. Applicability. This regulation applies to the US Army Reserve (USAR). It does not apply to the Army National Guard and the Active Army.

3. Objectives. The objectives of the employment and use of ARTs are to—

a. Achieve maximum mobilization and combat readiness of USAR troop program units through the employment of civilians. These employees will perform functions for which USAR commanders are responsible.

b. Use ARTs in a dual civilian/military capacity. The use of civilian employees who are military reservists of the same unit to which they are assigned as civilians will insure that—

(1) Technicians are available at regularly scheduled training assemblies in a USAR military status that parallels their unit TOE assignment.

(2) Technicians deploy as military personnel with their unit upon mobilization.

(3) Skill levels needed for mobilization are maintained.

(4) Esprit de corps of units and ARTs is enhanced by a mutual interest.

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*This regulation supersedes AR 140-315, 15 June 1979.

4. Policies. *a.* ART positions will be filled on the basis of merit and qualifications. Discrimination because of race, color, religion, marital status, national origin, physical handicap, sex, age, lawful political affiliation, or other nonmerit factors is prohibited.

b. Effective 1 September 1970, military membership in a USAR unit is required for permanent appointment as an ART. Exceptions are—

(1) Headquarters clerical and other positions exempted because incumbents will not be mobilized.

(2) ARTs permanently employed prior to 1 September 1970.

c. When qualified dual status personnel cannot be obtained, nondual status applicants may be hired on a temporary basis not to exceed 1 year.

d. Prior military service will not be a requirement for appointment.

e. Promotion to a military rank higher than that authorized for the technician's military position will not be a basis for involuntary removal from civilian technician positions.

f. Technicians employed permanently prior to 1 September 1970, those not in a dual civilian/military status on that date, or those who attain such status after 1 September 1970 and lose it for reasons beyond their control will not be—

(1) Involuntarily reassigned to another commuting area.

(2) Removed from their positions for failure to maintain USAR unit military membership.

g. Jobs held by permanent nondual status technicians will not be abolished and recreated for dual status incumbents.

5. Responsibilities. *a.* The Secretary of the Army, under Section 269, Title 10, United States Code, will make special findings of indispensability to transfer personnel from the Retired Reserve to the Ready Reserve. This authority cannot be redelegated.

b. The Deputy Chief of Staff for Personnel (DCSPER) will—

(1) Exercise DA responsibility for management of the ART program.

(2) Approve policy and maintain regulatory control of the ART program in coordination with the Chief, Army Reserve. This responsibility includes the following:

(a) Approving civilian personnel regulations.

(b) Approving standardized job descriptions.

(c) Initiating technician assistance.

(d) Developing special instructions peculiar to the personnel management program for technicians.

(3) Serve as the executive agent for special legislation and agreements affecting the ART work force.

(4) Review, coordinate, and approve ART manpower staffing guidance for publication in DA Pamphlet 570-560.

(5) Identify positions to be authorized as exceptions to the dual status requirement.

c. The Chief, Army Reserve will—

(1) Serve as special ART program staff adviser to the Chief of Staff, US Army.

(2) Exercise special staff responsibility for programming and budgeting.

(3) Determine manpower requirements in coordination with the Commanding General, US Army Forces Command (FORSCOM).

(4) Identify deficiencies to the responsible staff office and make recommendations to improve or correct.

(5) Defend and support ART program funding and manpower requirements at all levels.

d. The Commanding General, FORSCOM will—

(1) Implement Army policy through operation of the ART program.

(2) Develop manpower requirements and insure the proper allocation of technician spaces and funds to units in accord with HQDA guidance.

(3) Recommend policy and regulatory control changes to HQDA (ODCSPER).

(4) Provide civilian personnel and equal employment opportunity services, including interpretation of HQDA regulatory policy.

(5) Develop standardized job descriptions.

e. Area commanders will—

(1) Allocate ART spaces to USAR units and maintenance shops by unit, considering—

(a) Priority.

(b) Number.

(c) Type.

(d) Strength.

(e) Geographical location of units serviced.

(f) Density and complexity of equipment and supplies.

(g) Recommendations of USAR unit commanders.

(2) Allocate full-time ART support, if resources are available, to each company, battery, and detachment. The objective is to meet the manning criteria of DA Pamphlet 570-560. Small units should be—

(a) Grouped together, if practical, and authorized a technician for mutual support, or

(b) Attached to a larger unit for ART support.

f. USAR commanders will—

(1) Manage ART resources as directed by higher authorities.

(2) Designate the Civilian Personnel Officer (CPO) to act for the commander. The CPO will carry out the commander's civilian personnel management responsibility.

g. Unit commanders or their designees will—

(1) Interview and select applicants for ART positions and inform them of dual status requirements.

(2) Assist in technician recruitment by canvas of the unit and local community. Give advice to candidates on establishing Civil Service eligibility.

(3) Determine USAR unit military membership of applicants. Process for appointment or enlistment, and assignment to the unit.

(4) Recommend assignment and reassignment as required.

(5) Arrange for on-the-job training, school, or other proper ART training.

(6) Supervise ARTs. In performing this function the commander or the commander's designee will—

(a) Verify time and attendance records.

(b) Update job descriptions to show current assigned duties and responsibilities.

(c) Approve or disapprove requests for leave.

(d) Appraise ART performance.

(e) Process employee grievances.

(f) Administer constructive discipline.

(g) Recommend separation for cause.

(h) Contact the servicing CPO to help remove technicians who voluntarily relinquish USAR unit membership or lose such membership because of unsatisfactory military performance or conduct.

h. ARTs will—

(1) Upon request, assist unit commanders to carry out the commander's responsibilities.

(2) Carry out the duties of their job descriptions and additional duties as assigned.

(3) Sign routine correspondence for the commander when given this responsibility by the commander.

(4) Maintain USAR unit military membership, except when prevented by reasons beyond the ARTs control.

6. Position establishment. AR 690-500 applies to the establishment of ART positions. Grade and position titles are determined by Office of Personnel Management (OPM) position classification standards. Functions and duties that apply to most ART positions are listed in DA Pamphlet 570-560. Parallel ART civilian/military positions are listed in appendix A of this regulation.

7. Employment procedures. ART positions will be filled by internal merit promotion, by outside recruitment through normal OPM procedures, or by the selection of former Federal employees with reinstatement eligibility. The following employment procedures apply:

a. Local merit placement plans covering ART positions are governed by Federal Personnel Manual (FPM) 335 and AR 690–300, chapter 335. Reserve membership will not be used as a factor to rate or rank ART employees for merit placement. Non-ART candidates must submit proof of USAR unit military membership to be considered for vacancies requiring dual status. Personnel actions on the appointment of selected individuals will contain the remark "As a condition of employment, you are required to maintain USAR unit military membership."

b. Selectees for ART positions must meet the basic education, experience, training, and physical requirements set by OPM. They must also meet any special selective placement factors that apply to the job being filled. For example, a job may require frequent travel.

c. Clerical positions at Major US Army Reserve Commands (MUSARC) headquarters and certain other positions have been excepted from the dual status requirement for permanent appointment. Commanders will insure that duties assigned personnel in these positions remain those of the assigned position. Technicians so employed will be advised in writing, prior to appointment, that a subsequent assignment to a dual status position will require meeting the USAR unit membership requirement for that position.

d. Retired military personnel, receiving retired pay, may be considered for ART employment when accepted for USAR unit military membership through a special finding of indispensability. (See AR 140–10.) Persons retired from a uniformed service other than Army, enlisted personnel who have completed 30 years' service, and persons retired for physical disability are not eligible for such a finding.

e. Prior approval requirements in Civilian Personnel Regulation (CPR) 300.10 apply to civilian employment of retired military personnel within 180 days following retirement. These requirements apply to all types of civilian employment, including temporary, intermittent, or part-time appointments.

f. Selection for permanent appointment will be made from those candidates with the best qualifications. Candidates may include technicians who have dual status and those from outside the technician program who are eligible and accept USAR unit military membership. Candidates may also include technicians who do not have dual status, but who have been permanently and continually employed in the program prior to 1 September 1970.

g. Military rank inappropriate for the civilian ART job will not be used to eliminate otherwise eligible applicants. However, military rank will be one of the factors used to select eligible candidates for permanent ART appointments.

h. When sustained and diligent recruiting efforts do not locate candidates who meet the dual status requirements, otherwise qualified applicants may be appointed temporarily not to exceed 1 year. For these appointments the remarks section of the personnel action will state: "This temporary appointment is subject to termination on availability of candidates with USAR unit military membership." Requests for extensions or renewals beyond 1 year for such appointments require prior approval of HQDA (ODCSPER). Such requests will be submitted through command channels to HQDA (DAPE–MPO–FTS), WASH DC 20310. Included with the request will be evidence of recruiting efforts made to fill positions with dual status applicants.

i. Selected applicants for permanent appointments who are not military members of USAR units will be required to acquire such membership prior to appointment. Appointees will serve in their civilian ART position prior to beginning initial active duty for training. They will return to their civilian ART position upon completion of such training.

8. Utilization and separation. *a*. ARTs will serve their assigned units as technicians and provide support for additional attached units as directed by the unit commander or higher authority. ARTs will not be assigned to a USAR unit and then used elsewhere (e.g., for work in equipment pools, as clerical or stenographic assistants for advisor groups or unit advisors, or as assistants in area supply offices).

b. ARTs employed prior to 1 September 1970, who were not in a dual civilian/military status on that date, and technicians who lose USAR unit military membership for reasons outside their control will not be—

(1) Involuntarily reassigned to another commuting area or removed from their positions.

(2) Denied consideration for further promotion in the ART program, as long as civilian performance is satisfactory. However, continuing efforts will be made to reassign these technicians to other nondual status positions or to jobs outside the technician program in a geographic area acceptable to them. Those who cannot be so reassigned will be retained in their technician positions until separated through normal attrition. Technicians who lose their USAR unit military membership by their own actions or who voluntarily discontinue such membership will be removed for failure to comply with conditions of employment.

c. Removal from the ART program will be proposed for technicians whose USAR unit membership is revoked or discontinued for reasons within their control.

(1) Adverse action procedures of FPM, Chapter 752, will be followed.

(2) Proposed removals will be initiated by the employing commander when the lack of USAR unit membership becomes known.

(3) Proposed removals will be submitted to the servicing CPO through the proper MUSARC.

(4) Letters of proposed removal will include the statement "You, as an Army Reserve Technician, are required as a condition of employment, to maintain USAR unit military membership, except when prevented by reasons beyond your control. Revocation or discontinuance of USAR unit military membership for reasons within your control is failure to comply with conditions of employment and is grounds for removal from the Army Reserve Technician Program." These letters will further cite the date USAR unit military membership ceased and the specific reasons for cessation. Each reason cited must be supported by evidence. A summary of that evidence, e.g., names, dates, times and places, must be included in the letter of proposed removal. A statement that the reasons for cessation is considered to be within the technician's control and the title, series and grade of the ART position from which removal is proposed will also be included.

(5) Access to information needed to determine specific reasons for revocation or discontinuance of USAR unit military membership is specified by AR 640–10.

d. Military Reserve assignments, in addition to AR 140–10 requirements, should be parallel or comparable to ART civilian assignments. This will be to the maximum extent possible based on availability of qualified personnel. Further information is given in the appendix.

(1) New technicians who are not military members of USAR units and who will fill positions requiring dual status will be appointed or enlisted. They will then be given a military assignment to the unit they will serve or support. Such action will be taken concurrently with or prior to assignment to the technician position. The Standard Form 50 will state: "As a condition of employment, you are required to maintain USAR unit military membership." Individuals assigned to the US Army Reserve Components Personnel and Administration Center (RCPAC) control group will request and be assigned to the USAR unit prior to employment as ARTS. Members of the Reserve Components other than the USAR will be required to obtain a conditional release from their component prior to employment as ARTs.

(2) Technicians who lose their USAR unit military assignment for reasons outside their control will be assigned to a RCPAC control group, if eligible to remain in the Ready Reserve. This will be done unless they accept an assignment with a unit other than the one they service. This does not apply to technicians who

may be carried as overstrength as in the case of the inactivation or reorganization of a unit. (See AR 140-10.)

e. Attainment of military rank higher than that authorized for the unit to which assigned constitutes a basis for transfer to a civilian/military assignment where the ARTs mobilization status can be maintained. The higher military rank cannot be used as a basis for involuntary separation from civilian positions. Commanders at all levels will cooperate to arrange voluntary transfers or reassignments to keep ART civilian/military assignments compatible.

f. Provisions of FPM 351 and AR 690-300, chapter 351, apply to reduction-in-force of ARTS.

g. Retired members transferred to the Ready Reserve for reasons of ART indispensability will be transferred back to the Retired Reserve when they cease to occupy positions for which they were found to be indispensable. Assignment to a Ready Reserve control group is not authorized.

h. Reassignments of ARTs to equivalent positions in pay, grade, and rank in the same commuting area may be directed when needed to achieve civilian/military assignment compatibility. Such reassignments also may be directed to promote the efficiency of the service. Guidance for such reassignments is in AR 690-300, chapter 335. Procedures are in FPM 752.

9. Technician conduct. *a*. Technicians are subject to OPM and DA regulations and instructions governing employee responsibilities and conduct. (See AR 600-50, FPM 735, and CPR 735.) ARTs must discharge assigned duties conscientiously and conduct themselves, both on and off the job, in a manner that reflects credit on the USAR and themselves. Standards of conduct will be brought to the attention of all technicians at least semiannually. (See AR 600-50.)

b. Military courtesy will be observed by technicians wearing the military uniform. Courtesies extended to superiors by US Government employees will be expected from technicians at all times when dealing with either civilian or military superiors.

c. ARTs who are members of the USAR may voluntarily wear the Army uniform when working in their civilian capacity, unless requested not to do so by their unit commander. ARTs are required to wear military uniforms when on reserve duty training or active duty.

10. Reports. Reports on strengths and use of USAR technicians will be submitted in accordance with AR 680-350 and AR 140-15.

APPENDIX A

PARALLEL CIVILIAN/MILITARY ASSIGNMENTS

Section I. USAR STAFF TECHNICIANS

Officer Technician Position	*Officer TOE/TDA Position*
Staff Administrative Assistant	Executive Officer, Chief of Staff, Deputy Chief of Staff
Staff Training Assistant	G3, S3, Operations Officer, Training Officer
Staff Personnel Assistant	G1, Deputy G1, S1, AG
Staff Logistics Assistant	G4, Deputy G5, S5
Staff Equipment Assistant	Director of Materiel Readiness, Maintenance Officer
Budget Analyst	Budget Officer
Staff Facilities Engineer	Engineer Staff Officer
Public Information Officer	Information Officer, Community Relations Officer
Staff Adjutant Technician	Personnel Management Officer, Administrative Services Officer, Unit Personnel Officer
Enlisted Technician Position	*Enlisted TOE/TDA Position*
Staff Administrative Specialist	Unit Personnel Technician, First Sergeant, Personnel Management Specialist, Administrative Specialist, Supply Specialist, Personnel Sergeant, Supply Sergeant
Staff Training Specialist	Training NCO G3, S3, Assistant Training Specialist
Staff Personnel Specialist	Personnel Management Specialist, Personnel Senior Sergeant Personnel Sergeant G1, S1
Staff Supply Specialist	Unit Supply Technician, Supply Sergeant
Staff Logistics Specialist	Senior Supply Specialist, Supply Sergeant, Unit Supply Technician, Supply Specialist, Medical, Materiel Stock Control, Storage Subsistence, Unit Supply Specialist, Supply Sergeant G4, S4

Section II. ADMINISTRATIVE-SUPPLY TECHNICIANS

Administrative-Supply Technician	First Sergeant, Personnel Sergeant, Supply Sergeant

Section III. AVIATION SUPPORT FACILITY/AVIATION FLIGHT ACTIVITY TECHNICIANS

Supervisory Aircraft Pilot	Aviation Executive Officer, Flight Operations Officer
Flight Instructor	Airlift Section Commander, Airlift Platoon Commander, other senior pilot or aviator positions
Aircraft Dispatcher	Flight Operations Chief, Operations Sergeant, Chief Air Traffic Controller

Section IV. AREA MAINTENANCE SUPPORT ACTIVITY (AMSA) AND EQUIPMENT CONCENTRATION SITES (ECS) TECHNICIAN

Maintenance Technician	Appropriate maintenance position in any unit serviced by the maintenance shop

Section V. RESERVE CARD PROCESSOR SYSTEM (RECAPS) TECHNICIANS

Brigade Data Center Computer Operator	Computer/Machine Operator
Brigade Property Book Office Supply Technician	Unit Supply Technician, Supply Sergeant, Stock Control Specialist

AR 140–315

The proponent agency of this regulation is Office of the Deputy Chief of Staff for Personnel. Users are invited to send comments and suggested improvements by DA Form 2028 (Recommended Changes to Publications and Blank Forms) direct to HQDA(DAPE–MPO–FTS), WASH DC 20310.

By Order of the Secretary of the Army:

E. C. MEYER
General, United States Army
Chief of Staff

Official:
ROBERT M. JOYCE
Brigadier General, United States Army
The Adjutant General

DISTRIBUTION:

To be distributed in accordance with DA Form 12–9A requirements for US Army Reserve.

Active Army: D
ARNG: None
USAR: A

Senator STEVENS. Thank you, Colonel, it is very interesting. This is the third statement this morning on the subject, as you know. As I said before, we will go into it. They are coming at us from the other direction with equal vehemence, I might say.

Colonel BOGOLUB. We, right now, Senator, have people on-board and we don't know what to do with them. My position is that I run the Reserve in the State of New Jersey. Right now, I have so many people that I don't know what to do with them, and you can't transfer out. If I get another 20 or 30 of them, the way they are coming in, I just wouldn't know what to do with these people. Yet, the ones I need, and the additional civilian help I need, are not forthcoming.

Senator STEVENS. Thank you very much. We appreciate your taking the time.

SHIPBUILDERS COUNCIL OF AMERICA

STATEMENT OF JOHN J. STOCKER, VICE PRESIDENT, SHIPBUILDERS COUNCIL OF AMERICA

INTRODUCTION OF ASSOCIATES

Senator STEVENS. John Stocker, vice president, Shipbuilders Council of America.

Mr. STOCKER. Mr. Chairman, my name is John Stocker, and I am vice president of the Shipbuilders Council of America.

I have here with me today, on my extreme right, Mr. Walt Larsen, chairman of the Western Shipbuilding Association, and to my right is Mr. Michael Gallagher, president of the New York-New Jersey Drydock Association.

I have submitted a full statement to your staff, for the record, Senator. I would like it to be included in the record.

Let me just summarize my comments by saying that I want to thank you for this opportunity to appear before the subcommittee to discuss the Navy ship maintenance program for fiscal year 1985.

ACTIVITIES OF SHIPBUILDERS COUNCIL

The Shipbuilders Council of America is a trade association representing the Nation's shipbuilders, ship repairers, and shipowner-manufacturers. As such, we have a continuing interest in the Navy's management of the ship maintenance program, and a long-time congressional support for this program.

In fiscal year 1985, the Navy is requesting $5.6 billion for repair and alteration of its fleet. This total represents an increase of approximately $1.1 billion over last year's request of $4.5 billion. This is a significant increase. In addition, there is improvement in the number of availabilities.

In fiscal year 1984, there were 54 overhauls, and 85 selected restricted availabilities, SRA's and 12 phased maintenance availabilities, PMA's. In fiscal year 1985, the number of overhauls has increased to 56, SRA's have increased to 98, and PMA's to 19.

Despite this improvement in funding and availabilities, the situation in fiscal year 1985 continues to cause us some concern for two reasons. First, the share of the Navy repair market being sent to the private sector is larger than it was in fiscal year 1983 or 1984, but it is still below those levels established in fiscal year 1982.

In fiscal year 1982, the Navy placed 39 percent of its ship repair work in private yards. It has been estimated by the Navy Department that 34 percent of the ship repair workload was designed for private shipyards in fiscal year 1983, while 32 percent went out to the private sector in fiscal year 1984. Thus, 1985 represents an improvement, but we believe that more can be done.

The second concern has been that the Navy appears to have increased capacity at its yards in a period when the private sector has been forced by economic circumstances, of which you are well aware, Senator, to rationalize its market structure. Navy yards are currently at their highest employment levels since 1970.

It is interesting to note, since the private sector's peak year in 1977, the active base employment levels have fallen by 19,000 people, while Navy yards have increased their capacity by 15,000, although the growth in full-time permanence has been limited to 9,000.

The public sector hiring causes us concern because of the fact that the Navy repair program has become such a vital element of the industry's workload.

Despite the fact that the Navy workload is insufficient to maintain the base, it is clear that many shipyards are turning to the Navy as their only available source of business. This is so, despite the fact that much of the Navy's overhauls that come to the private sector are less complex and lower in cost than those performed in public yards.

The Navy's needs for an active mobilization base potential and ship repair requires that some thought be given to enlarging the share of nonnuclear work going to the private sector.

Coupled with the efforts to qualify private yards for complex work, greater utilization of private yards to perform complex nonnuclear overhauls will mean that the base will be in a much better position to support the Navy during wartime than it is currently the case.

At a minimum, in fiscal year 1985, a 60/40 split in ship repair work would mean an increase of about $240 million to the private sector, or about 4 percent of the total budgetary request for naval ship maintenance.

REALLOCATION OF SHIP MAINTENANCE

This reallocation could be accomplished if, for example, all amphibious air capable ships were placed in private sector for repair and maintenance. This should not be too large a price to pay to keep some shipyards active during this very difficult period.

A reallocation of ship maintenance resources in this manner would not damage public sector capability. In fiscal year 1982, the Navy designated 39 percent of its overhaul and repair work to the private sector without major dislocation to its inhouse facilities. Obviously, an improvement to 40 percent on a continuing basis would have little impact as well.

In addition, it would clearly send a congressional message that the public yard capacity cannot remain unbridled when private sector shipyards contribute to economic fabric through the payment of taxes, employment of skilled trades, and a reduction in Federal budgetary requirements since it is generally recognized that the private sector can perform repair functions at a lower cost than can the public yard.

In summary, Mr. Chairman, I would like to add that the combination of the decline in commercial workload and a restrained Navy overhaul and repair program, at least over the short term, threatens the continued viability of the Nation's private ship repair industry.

I should be remembered that 81 percent of the Nation's shipbuilding and ship repair capability came from private sources at the peak of industrial activity in World War II. Interestingly, the current Navy mobilization base study has generated a requirement that is only 17 percent of that achieved in November 1943.

Yes, with this reduced requirement, the current industry does not meet the D-day requirement, and cannot hope to do so without the commercial market to sustain it. The ship repair industry has a vital role to play in the mobilization base, and yet the prospects appear bleak.

Finally, it has been noted that the present method for allocating the Navy repair workload between public and private sectors based on a radio of dollars is not a good one. Many view it as capricious and arbitrary, and in some respects that is quite true. It is frankly the simplest way of allocating such work.

Mr. Chairman, we stand ready to work with your staff in the development of other schemes which may make more sense and take into account the changing complexities of naval ship maintenance for the future.

That concludes my statement.

[The prepared statement of Mr. Stocker follows:]

PREPARED STATEMENT OF JOHN J. STOCKER
VICE PRESIDENT
SHIPBUILDERS COUNCIL OF AMERICA

Mr. Chairman, Members of the Subcommittee:

I want to thank you for this opportunity to appear before the Subcommittee to discuss the Navy's ship maintenance program for FY 1985. The Shipbuilders Council of America is a trade association representing the Nation's shipbuilders, shiprepairers and ship component manufacturers. (For current members, see Attachment A.) As such, we have a continuing interest in the Navy's management of the maintenance program and the long-time Congressional support for this program.

The ship repair industry is in crisis. Not since the early 1970's, when the new construction order book was thin and industry employment suffered decline, has ship repair become such a vital element to assuring shipyard survival. What conspires to make these current conditions even worse are the factors that dampen demand in world shipping, which leads to fewer commercial repair availabilities. When the current political climate is added to these economic factors, there emerges the likelihood that the future U.S. ship repair industry will be unable to meet the demands placed on it during national emergency or war.

Any discussion of the current repair situation must focus on three areas: workload patterns, Navel ship maintenance, and commercial ship repair.

DEFINING THE INDUSTRY

Before discussing the near-term potential of the naval and commercial ship repair markets, it is necessary to define and describe the shipbuilding and ship repair industries as they have evolved over the past ten years.

There are two critical points to be drawn. First, the impact of decline in new ship construction orders puts enormous pressure on the ship repair market. This occurs as shipyards attempt to survive a downturn in construction by keeping a cadre of workers employed on repair projects. Second, it is clear that Navy repair and building orders are insufficient to maintain the industry at its current size. Commercial building and repair are essential elements in maintaining the industrial base the Navy believes it needs in the event of war or national emergency.

Chart I indicates the degree to which, in many years, ship repair has varied in nearly inverse relation to new constructvtion activity. In the period 1969-1973, ship repair constituted about 20% of the industry's total workload in the active base. During that same period, Navy repair constituted about 12% of the total workload and 51% of the total repair workload. The current situation shows dramatically that as new orders fall off, many shipyards turn to ship repair as a method of retaining skilled labor in the belief that future workload will materialize. During 1983, Navy repair constituted 72% of the total repair effort.

The most striking feature in the current situation is that future commercial workload does not appear to exist which will have a marked impact on the industrial base. Decline is certainly the forecast for the future since Navy work cannot sustain the base. How serious is the current decline in shipbuilding workload?

In order to define the decline in graphic form, we have taken data from the Maritime Administration's definition of active shipbuilding and ship repair facilities, of which there are currently 26 yards.

Chart II portrays total employment engaged in both Navy and non-Navy work. It demonstrably shatters the fallacy of vision of those who comment that Navy shipbuilding and repair, on its own, can preserve an active base for national security. The non-Navy portion is attributable to commercial new construction and repair. In addition, it includes non-ship work, which averaged about 3% of the market throughout the period.

At a peak in 1977, 48,000 workers were employed on non-Navy projects. By December 1983, that number had dropped by more than two-thirds to 16,000; a reduction of 32,000 employees in six years. During the same period, Navy projects supported an increase in employment of 13,000; from 77,000 in 1977 to 90,000 in December 1983.

In other words, from the peak in 1977, there has been a net employment decline within the active base of 19,000 workers, or a reduction of about 15 percent, and we can state that job loss has accelerated since December. Additionally, it should be noted that a Navy report, prepared in the Summer of 1982, concluded that even a ten percent loss in facilities, capabilities, and manpower could jeopardize the ability of U.S.

shipyards in the private sector to provide industrial support to the Navy and merchant fleets during wartime.

MOBILIZING THE INDUSTRY

These declines in total workload will have a marked impact on the Nation's ability to mobilize the industrial base for use in national emergency. A critical element in the mobilization plan is the ability of the industry to overhaul, repair, battle damage repair, and re-activate the reserve fleets in support of the naval and merchant fleets. In addition, there is a need for new construction to replace vessels lost in combat.

A recent study by the Navy (currently in the final stages of completion) indicates that the D-Day demands are significantly greater than the base maintained by ongoing Navy new construction, repair, and overhaul. In fact, in order to support the D-Day requirement, the industry would need approximately 160,000 production workers (including those in the public yards). The private sector is clearly below requirement at the current time and projections indicate that through the decade, the situation will have deteriorated.

Why do the Navy's needs for support in a national emergency matter to the ship repair industry? Primarily it is due to the fact that 50-60% of the total expected workload in the first six months of the war will be in the areas of battle damage repair, overhaul and repair, and reactivation of the reserve fleets. Thus, the private sector capability in these areas is critical for national security reasons.

In addition, this study makes it clear that the commercial workload in both new building and repair is a critical element in maintaining the industrial base. In particular, the commercial element would maintain those yards most needed in the early stages of the conflict.

Another factor complicating the equation is that many of the ship types contemplated in existence during the war's time frame would clearly exceed the physical capabilities of many of the Nation's shipyards. As a result, not only is the number of skilled people a serious problem, but without an active commercial element, the investment in the proper physical facilities will not have been made prior to D-Day.

NAVAL SHIP MAINTENANCE

In FY 1985 the Navy is requesting $5.6 billion for repair and alteration of its fleet. This total represents an increase of approximately $1.1 billion over last year's request of $4.5 billion. This budget request represents a significant increase over FY 1984. In addition, there is improvement in the number of availabilities. In FY 1984, there were 54 overhauls and 85 Selected Restricted Availabilities (SRAs), and 12 Phased Maintenance Availabilities (PMAs). In FY 1985, the number of overhauls has increased to 56 while SRAs have increased to 98, and PMAs to 19. Regular overhauls constitute the most demanding workload since it involves a major repair of all ship components, hull, and superstructure where the ship is drydocked for several months. An SRA, on the other hand, involves minor repair and requires a docking period of only one or two months. Regular overhauls offer the opportunity for both homeport and coastwide competition, while SRAs are restricted to homeports only.

There has been a change in maintenance philosophy known as phased maintenance (PMAs). Under this concept, the Navy reduces the number of regular overhauls over the life cycle of a ship through an increase in operating cycle between overhauls. The goal, which is laudable, is to reduce the life-cycle maintenance costs of a ship. In order for this philosophy to work, the number of SRAs and PMAs required between the operating cycles will have to increase.

Despite the improvement in funding, the situation in FY 1985 continues to cause us some concern for two reasons. First, the share of the Navy repair market being sent to the private sector is larger than in FY 1983 or 1984, but it is still below those levels established in FY 1982. In FY 1982, the Navy placed 39% of its ship repair work in private yard. It has been estimated, by the Navy Department, that 34% of the ship repair workload was designated for private yards in FY 1983, while 32% went out to the private sector in FY 1984. Thus, 1985 represents an impovement but we believe that more can be done.

Our second concern has been that the Navy appears to have increased capacity at its yards in a period when the private sector has been forced, by economic circumstances, to rationalize its market structure. Chart III indicates that the Navy yards are currently at their highest employment levels since 1970. It is interesting to note that since the private sector's peak year in 1977, the active base employment levels have fallen by 19,00 while Navy yards have increased their capacity by 15, 000.

It does seem odd that an administration dedicated to controlling budget deficits, the size of the Federal workforce, and increased competition in defense procurements would be responsible for the growth of Navy yard employment of nearly 6,000 since 1981.

The Public sector hiring causes concern because of the fact that the Navy repair program has become such a vital emement of the industry's workload. Despite the fact that the Navy workload is insufficient to maintain the base, it is clear that many shipyards are turning to the Navy as their only available source of business. This is so despite the fact that much of the navy overhauls that come to the private sector are less complex and lower in cost than those performed at the public yards.

This can be seen by looking at the split between private and public sectors in the overhaul and repair of nuclear and non-nuclear powered ships. During FY 1985, the private sector has captured about 52% of the non-nuclear workload. But that workload is substantially less complex than those overhauls available to the public sector.

This development should ease in the future as the Navy develops programs to assist the private sector in qualifying to perform more complex overhauls. This is being done through the development of a Master Ordnance Repair (MOR) certificate program. This certificate will be required of those firms wishing to perform combat system overhauls. In addition, the Navy has embarked on a Master Ship Repair re-certification effort to ensure that yards in the future have the requisite skills to perform complex overhauls.

The Navy's needs for an active mobilization base potential in ship repair requires that some thought be given to enlarging the share of non-nuclear work going to the private sector. Coupled with the efforts to qualify private yards for complex work, greater utilization of the private yards to perform complex non-nuclear overhauls will mean that the base will be in a much better position to support the Navy than is currently the case. At a minimum, in FY 1985, a 60/40 split in ship repair work would mean an increase of about $240 million to the private sector or about 4% of the total budgetary request for naval ship maintenance. This re-allication could be accomplished if, for example, all amphibious, air-capable ships were placed in the private sector for repair and maintenance. This should not be too large a price to pay to keep some shipyards active during this difficult period.

A re-allocation of ship maintenance resouces in this manner would not damage public sector capability. In FY 1982, the Navy designated 39% of its overhaul and repair workload to the private sector without major dislocation to its in-house facilities. Obviously, an improvement to 40% on a continuing basis would have little impact as well. In addition, it would clearly send a Congressional message that public yard capacity cannot remain unbridled when private sector shipyards contribute to the economic fabric through the payment of taxes, the employment of skilled trades, and a reduction in federal budgetary requirements since it is generally recognized that the private sector can perform repair functions at a lower cost than can the public yard. Finally, it should be remembered, the calculation of repair allocation does not include the important impact of the CV SLEP or the battleship re-activation on the Navy yard workload. When that workload is considered and if one assumes that these programs constitute "super-overhauls", the actual allocation for FY 1985 represents 71% of the total workload being directed to the public sector.

COMMERCIAL SHIP REPAIR

As was earlier stated, the Navy workload can not support the industrial base, at least in the size required by the Defense Department for future conflict. Commercial shipbuilding and repair will be required in order to maintain the base. Yet, the outlook for both areas looks extremely bleak and uncertain.

Assesssing the current situation in commercial ship repair is not very difficult. Mention has been made of the fact that the industry has experienced a decline in the commercial sector of some 32,000 people since 1977. Chart II makes it clear that the commercial side of the business has become less significant than was the case in the mid-1970's. Thus, we have this great contradiciton, a national security need for an active repair capability and the fact that a commercial market is in sharp decline.

This decline is driven in large part by two factors. First, there has been an economic climate that has significantly reduced the demand for ocean shipping services. Approximately 11% of the world's trading fleet has been idled. Under these circumstances, many shipowners are deferring or limiting maintenance on existing vessels. Vessel drydock and repair demands are not materializing. Market conditions have thereby become extremely competitive: as ship construction activity has diminished overall, some U.S. shipbuilding yards in an effort to sustain economic viability, are shifting emphasis and workforce toward ship repair. Thus, reduced demand is exacerbated by more shipyards needing work.

A second factor aiding decline is a political one. There seems to have been a decision of the part of some experts in the Reagan Administration that favors the creation of a foreign shipbuilding and ship repair capability. There have been ongoing efforts to permit subsized operators to build abroad, to use capital construction funds for build abroad schemes, and to repeal the 50% ad valorem tax on ship repair. The latter item could have an impact on the industry although the degree could be debated.

The extent to which foreign governments can and do subsidize shipyards in order to gain ship repair contracts may make the 50% duty ineffective in its role as a method of retaining U.S. -flag work for U.S. shipyards. There have been cases in the past when operators received a price so misconstrued by subsidy that they were willing to pay the additional cost of a customs duty in order to have a repair performed overseas. The subsidized price of the repair, the cost of transport, and the cost of the duty still left the price lower than that offered by the U.S. yards. This was so because the repair price had been continually lowered in order to compensate the owner for the cost of transport and regardless of the duty.

Because of the mobilization base requirement, however, it would make far more sense to legislate that all operators must repair vessels in the United States. Of course, for this system to work the yards must guarantee the operators' decent prices and improvements in productivity, both of which could be achieved.

Unless and until these two factors, the trade recession and the political atmosphere are changed, the commercial ship repair market would appear to be relatively unstable, at least over the near-term. In the long-term, it is possible that a number of potential events could trigger more repair work:

- needed tanker retrofit and modifications to comply with the Port and Tanker Safety Act of 1978;

- a need to focus on ship bottom efficiency and hull care in order to contain fuel costs; and

- the extended service life of existing ships:

However, these elements can be threatened at anytime. For example, CDS payback would understandably reduce the impact of any of the above potential events and lead to ship retirements rather than continued ship operations.

Thus, it can only be concluded that commercial ship repair faces an extremely uncertain and unstable period.

SUMMARY

The combination of a declining commercial workload and a restrained Navy overhaul and repair program (at least, over the short term) threatens the continued viability of the Nation's private ship repair industry. It should be remembered that 81% of the Nation's shipbuilding and ship repair capability came from private sources at the peak of industrial activity in World War II (November 1943). Interestingly, the current Navy mobilization base study has generated a requirement that is only 17% of that achieved in 1943. Yet, with this reduced requirement, the current industry does not meet the D-Day requirement and can not hope to do so without a commercial market to sustain it. The ship repair industry has a vital role to play in the mobilization base and yet the prospects appear bleak. The unanswered question; how long can this schizophrenic situation exist before a consensus develops that ship repair promotional programs are required?

Finally, it has been noted that the present method for allocation of Navy repair workload between public and private sectors based on a ratio of dollars is not a good one. Many view it as capricious and arbitrary and in some respects that is quite true. It is frankly the simplest way of allocating such work. Mr. Chairman, we stand ready to work with your staff in the development of other schemes which may make more sense and take into account the changing complexities of Naval ship maintenance for the future.

CHART I

AVERAGE EMPLOYMENT OF PRODUCTION WORKERS
IN U.S. ACTIVE SHIPBUILDING BASE

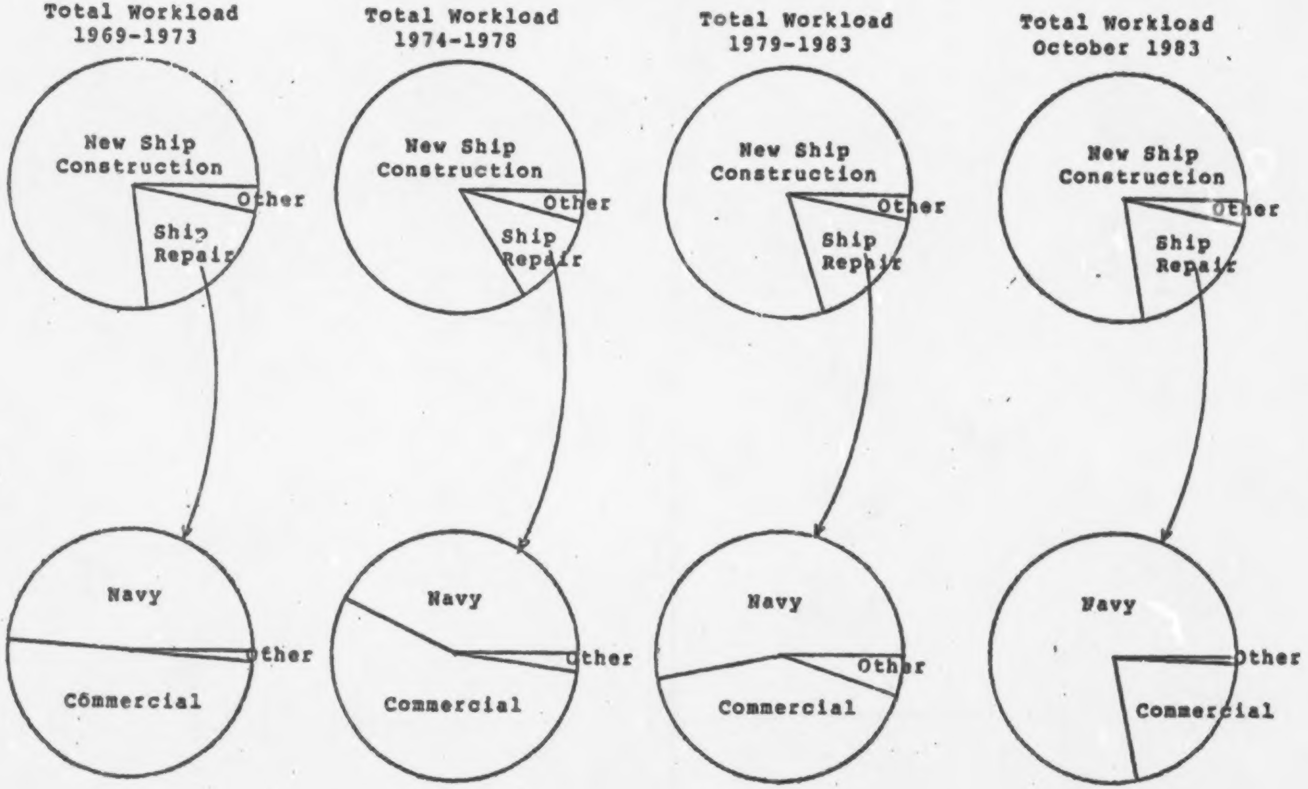
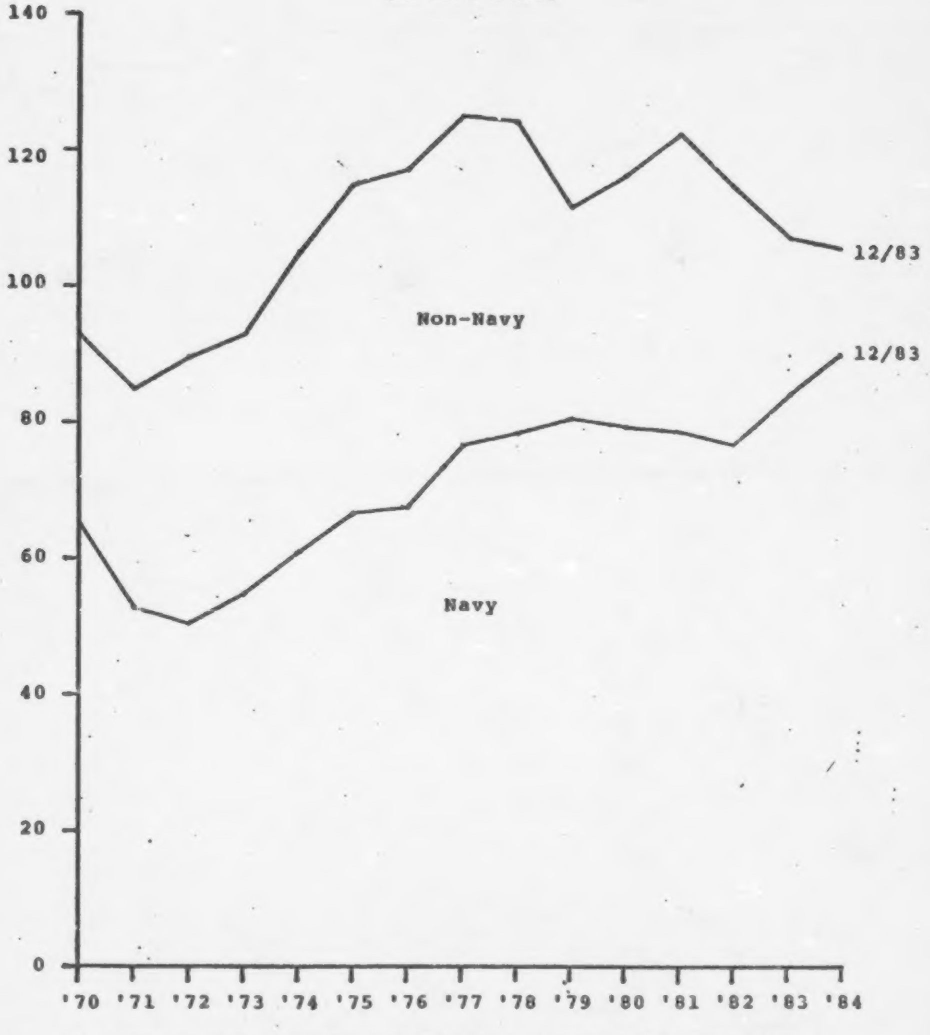


CHART II

Shipyard Employment
(Active Base)



1. Total plant employment in thousands (as of January 1 in each year).

2. Non-Navy includes commercial construction and repair, MARAD, other agencies, non-ship work.

Source: Maritime Administration

CHART III

NAVAL SHIPYARD EMPLOYMENT

Total employment at naval shipyards, according to Bureau of Labor Statistics, stood at 81,200 in October 1983.

Naval Shipyard Employment - All Employees (In Thousands)

	Total	Portsmouth Philadelphia	Norfolk Charleston	Puget Sound Mare Island Long Beach Pearl Harbor
Average 1968	95.2	28.5	21.7	45.0
Average 1969	91.0	27.6	20.6	42.8
Average 1970	83.0	24.4	19.1	39.5
Average 1971	75.5	20.8	18.5	36.2
Average 1972	70.1	18.7	17.7	33.7
Average 1973	64.5	16.1	17.3	31.1
Average 1974	64.4	13.7	18.5	32.2
Average 1975	64.6	13.4	18.6	32.6
Average 1976	65.4	13.7	18.9	32.8
Average 1977	67.6	14.3	19.7	33.7
Average 1978	70.6	15.7	21.0	33.8
Average 1979	71.1	16.3	21.3	33.5
Average 1980	72.4	17.4	21.2	33.8
Average 1981	76.5	19.3	21.9	35.2
Average 1982	80.2	20.1	22.8	37.2
1982				
January	79.3	19.7	23.0	36.6
February	79.6	19.8	22.9	36.9
March	79.9	19.9	22.9	37.1
April	80.2	20.1	23.0	37.1
May	80.4	20.3	23.0	37.1
June	81.0	20.3	23.1	37.6
July	81.5	20.4	23.1	38.0
August	80.5	20.6	22.1	37.8
September	75.5	19.5	21.4	34.2
October	81.0	20.4	23.1	37.5
November	81.4	20.3	23.2	37.9
December	81.8	20.4	23.2	38.2
1983				
January	82.1	20.4	23.4	38.3
February	82.2	20.5	23.5	38.2
March	82.3	20.6	23.5	38.2
April	82.4	20.6	23.5	38.3
May	82.6	20.7	23.6	38.3
June	82.8	20.8	23.6	38.4
July	82.7	20.8	23.5	38.4
August	82.1	20.7	23.4	38.0
September	81.3	20.6	23.3	37.4
October	81.2	20.5	23.5	37.2

NUCLEAR CAPABILITY

Senator **Stevens**. You have 52.5 percent of the coming year, don't you?

Mr. **Stocker**. In nonnuclear work, yes, sir. It is 35 percent overhaul.

Senator **Stevens**. I think our problem is the nuclear aspect of it. What you are really saying is that it is time for you to go further into the nuclear aspect, and I don't see that there is anything that has been done that would have to be done in advance of this committee directing that to assure that that work would be done on a basis that would meet the Nuclear Regulatory people's requirements.

Mr. **Stocker**. We would certainly agree that the Nation would probably not sustain an increased nuclear capability in the private sector over the long term. We would contend that the nuclear workload should be kept separate from all of this dialog concerning the amount of workload that should go to the private sector.

We would be looking at increasing the share of the nonnuclear work, particularly in the area of the amphibious air capable ships which are presently done in the public sector.

Senator **Stevens**. Gentlemen, that is a vote. Did you have a statement?

Mr. **Gallagher**. Yes, Senator.

Senator **Stevens**. Go ahead.

New York and New Jersey Drydock Association

STATEMENT OF MICHAEL GALLAGHER, PRESIDENT, NEW YORK AND NEW JERSEY DRYDOCK ASSOCIATION

SURVIVAL OF PRIVATE SHIP REPAIR BASE

Mr. **Gallagher**. Mr. Chairman, I am Michael J. Gallagher, president of the New York and New Jersey Drydock Association

On behalf of our members of the New York and New Jersey Drydock Association, our employees, and suppliers, I wish to thank you committee for the opportunity to present testimony concerning the fiscal year 1985 appropriations bill.

Since our last appearance before your committee, the private and ship repair yard base has deteriorated further. In fact, under the present Maritime Administration policy of allowing U.S.-flag ships to be built and converted in foreign yards, there is great concern as to whether the private ship repair base can survive.

To date, 36 U.S.-flag ships have been ordered and 13 U.S. ships converted in foreign shipyards. This change in national policy has cost our industry 22,000 jobs and a loss to related industry suppliers and manufacturers of 55,000 jobs. We estimate that the dollar impact lost to the national economy is $3.74 billion.

Our shipyards in the Port of New York have been especially hard hit by the recent policies of the Maritime Administration. In the past 3 years, four shipyards have gone out of business and there is a great possibility that another yard will close its doors this year.

At the present time, the New York Harbor is left with only two shipyards with the capacity to drydock large oceangoing vessels.

There is not a major shipyard in the United States that can survive today without Navy repair work. The proposed budget for fiscal year 1985 amounts to $5.6 billion for repairs, alterations, and overhauls of nuclear and nonnuclear surface vessels.

We ask this committee to approve the budget as written.

Our association suggests that a larger percentage of navy work be awarded to the private sector. While our shipyards' employment had declined in the last few years, the navy yards have increased their employment by 25 percent since 1977.

In light of economic hardships being experienced by the private yards, we ask you committee to consider a 50-50 split between navy and private shipyards. The private yard has been proven to be more economical than navy yards. This would not only be a cost savings to the Navy but would help to keep the few remaining repair yards open.

We also urge the Navy to continue allowing coast-wide bidding which gives the shipyards in the northeast the opportunity to participate in additional repair work.

Once again, we wish to thank you for the opportunity to present testimony before your distinguished subcommittee and thank you for all your past support to the private shipyard industry.

[The prepared statement of Mr. Gallagher follows:]

PREPARED STATEMENT OF MICHAEL J. GALLAGHER, PRESIDENT

New York/New Jersey Dry Dock Association

Mr. Chairman, on behalf of the members of the New York/New Jersey Dry Dock Association, our employees, and suppliers, I wish to thank your committee for the opportunity to present testimony concerning fiscal year 1985 Appropriations Bill.

Since our last appearance before your committee, the Private and Ship Repair Yard base has deteriorated further. In fact, under the present Maritime Administration policy of allowing U.S. flag ships to be built and converted in foreign yards, there is great concern as to whether the private ship repair base can survive at all.

To date, 36 U.S. flag ships have been ordered and 13 U.S. ships converted in foreign shipyards. This change in national policy has cost our industry 22,000 jobs and a loss to related industry suppliers and manufacturers of 55,000 jobs. We estimate that the dollar impact lost to the national economy is $3.74 billion.

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Once again, we wish to thank you for the opportunity to present testimony before your distinguished subcommittee and thank you for all your past support to the private shipyard industry.

WESTERN SHIPBUILDING ASSOCIATION

STATEMENT OF WALTER LARSEN, CHAIRMAN OF THE BOARD, WESTERN SHIPBUILDING ASSOCIATION

DEFENSE FUNDS FOR SHIP REPAIR ACTIVITIES

Mr. LARSEN. Thank you, Mr. Chairman.

I am Walter Larsen. I am chairman of the board of Western Shipbuilding Association.

Our association is a coalition of industry and labor, representing shipbuilding and ship repair yards, labor organizations, suppliers, subcontractors, and other related segments of the maritime industry located on the Pacific coast and in the State of Hawaii.

We appreciate very much the opportunity to appear before the respected members of this subcommittee to express the views of the membership of Western Shipbuilding Association on the important subject of defense funds that will be appropriated for the repair, alteration, and overhaul of U.S. naval vessels in fiscal year 1985.

First of all, we fully concur with and support the request made by the subcommittee today by Shipbuilders Council of America for a funding formula that will increase currently budgeted amounts for U.S. Navy nonnuclear ship repair, alteration and overhaul work in the Nation's private ship repair yards in fiscal year 1985, without increasing the Navy's overall budget request.

The continued sharp increases in naval shipyard employment to the detriment of the private shipyard industry is not only inequitable, it is dropping national industrial mobilization base requirements to extremely low levels at a time when world unrest is escalating.

We are well aware of the Nation's current deficit crises, and realize the increasing pressures to cut less essential budget items. However, in our opinion, it would be false economy, as well as highly dangerous to risk reducing fleet readiness, which is essential to the defense posture of our Nation.

Several shipyards on the west coast have closed their doors for good in recent years, and more are right now walking the thin line leading to a similar fate. If west coast ship repair yards and their allied and related industries are to have any chance at all of weathering this present crucial period, we must have more Navy nonnuclear ship repair work. These yards are capable of accomplishing increased work allocation in a cost effective and timely manner.

We urge approval of the fiscal year 1985 funding request for repair, alteration and overhaul of naval vessels, including CV, SLEP, and BB reactivation.

Thank you again, Mr. Chairman, for this opportunity to appear today to express our views on this highly important subject.

Senator STEVENS. Thank you, gentlemen.

We recently did have meetings with the shipbuilders, as you know, trying to work something out.

Thank you very much.

[The prepared statement of Mr. Larsen follows:]

PREPARED STATEMENT OF WALTER A. LARSEN, CHAIRMAN OF THE BOARD

WESTERN SHIPBUILDING ASSOCIATION BEFORE THE SUBCOMMITTEE ON DEFENSE, SENATE COMMITTEE ON APPROPRIATIONS, MARCH 22, 1984

Mr. Chairman, Members of the Subcommittee. My name is Walter A. Larsen. I am Chairman of the Board of Western Shipbuilding Association. Our Association is a coalition of industry and labor, representing shipbuilding and ship repair yards, labor organizations, suppliers, subcontractors and other related segments of the maritime industry located on the Pacific Coast and in the State of Hawaii.

We appreciate very much the opportunity to appear before the respected members of this subcommittee to express the views of the membership of Western Shipbuilding Association on the important subject of defense funds that will be appropriated for the repair, alteration and overhaul of United States naval vessels in fiscal 1985.

First of all, we fully concur with and support the request made before this subcommittee today by Shipbuilders Council of America for a funding formula that will increase currently budgeted amounts for U.S. Navy non-nuclear ship repair, alteration and overhaul work in the nation's private ship repair yards in fiscal 1985, without increasing the Navy's overall budget requests.

We agree that funds budgeted for CV SLEP and BB reactivation should be included in the overhaul and repair allocation, rather than in SCN funding. In our opinion, shifting the $1.2 billion budgeted for this type of work from SCN to O&MN is the best method by which the private sector can be awarded an equitable share of Navy ship repair, alteration and overhaul work in fiscal 1985. The continued sharp increases in naval shipyard employment to the detriment of the private shipyard industry is not only inequitable, it is dropping national industrial mobilization base requirements to extremely low levels at a time when world unrest is escalating.

We are well aware of the nation's current deficit crisis, and realize the increasing pressures to cut less essential budget items. However, in our opinion, it would be false economy, as well as highly dangerous, to risk reducing fleet readiness, which is essential to the defense posture of our nation.

Several shipyards on the West Coast have closed their doors for good in recent years, and more are right now walking the thin line leading to a similar fate. If West Coast ship repair yards and their allied and related industries are to have any chance at all of weathering this present crucial period, we must have more Navy non-nuclear ship repair work. These yards are capable of accomplishing increased work allocation in a cost effective and timely manner.

We urge your approval of the fiscal 1985 Navy funding requests for repair, alteration and overhaul of naval vessels, including CV SLEP and BB reactivation.

Thank you again for this opportunity to appear here today to express our views on this highly important subject.

HUMANE SOCIETY OF THE UNITED STATES

STATEMENT OF DR. JOHN McARDLE, DIRECTOR, LABORATORY ANIMAL WELFARE, THE HUMANE SOCIETY OF THE UNITED STATES

USE OF ANIMALS FOR DEFENSE TRAINING PROGRAMS

Senator **STEVENS**. Dr. McArdle.

Dr. **McARDLE**. Mr. Chairman, I am Dr. John McArdle, director of the Laboratory Animal Welfare for the Humane Society of the United States.

I am here today representing the HSUS and our 250,000 constituents. Last year, a lot of our people were very concerned about plans of the Defense Department to shoot animals as part of their training program, and we were disappointed in the Senate's response to those concerns. I am here today to provide actual background for the position we took last year, and to request again that you end this senseless waste of animal lives.

For many years, the Department of Defense has shot several thousand pigs and goats at five of their facilities in the United States. The stated purpose for these shootings is to provide training both for their medical students and for other military personnel.

In reality, we believe that working on these severely wounded animals is primarily a matter of building self-confidence, giving them the attitude that animals that have been so severely wounded by a military weapon can be kept alive, and also get them used to the blood and the gore, and so forth, associated with such damage. We do not believe that they receive vital clinical experience.

Last year, the Department of Defense planned to expand these facilities by using their newly constructed $70,000 wound laboratory at the Uniformed Services University of the Health Sciences in Bethesda, Md. In addition to the traditional shooting of domestic farm animals, at that time they intended to include dogs, medium-size dogs.

When we found out the two individuals who were supplying these dogs, they are both dealers, they have in fact been cited for violations of the Animal Welfare Act, and they have a history of preferring to acquire people's former pets as opposed to stray animals and street dogs. This also was a concern to us.

In response to protests from the animal welfare movement, Secretary Weinberger declared a temporary moratorium and formed a study committee within DOD to look into this matter. The committee was entirely in-house, and the animal welfare organizations, although they have amassed a considerable quantity of information on this topic, were neither consulted nor were they allowed to participate in that committee's deliberations.

On August 23, the humane society notified each member of the Defense Appropriations Subcommittee that we intended to seek an amendment to the fiscal year 1984 DOD appropriations bill. That amendment was designed to prohibit the purchase of animals for use in these wound laboratories.

Our amendment was modeled after an amendment that had been introduced by the late Senator Humphrey to a previous DOD money bill. Basically, his amendment prohibited the use of poisonous gases, chemicals, biological or chemical warfare agents, and radioactive materials on dogs. Unfortunately, Senator Humphrey's humane thinking was not repeated last year in the Senate when both the content and the intent of our amendment were widely misrepresented by certain vested interests.

Our amendment prohibited the purchase of any animals, and I quote, "or otherwise fund the use of animals for the purpose of training medical students or other personnel in surgical or medical treatment of wounds produced by any type of weapon." This language was sponsored in the House by Representative C. W. Bill Young and passed the House, where the House conferees, by a vote of 419 to 0, were instructed to commit to the Young language.

In the Senate, the HSUS language was included in the subcommittee's recommendations to the full committee. However, our efforts were circumvented in full committee markup by substituting language that forbid the use of cats, which were never scheduled to be used by any of the wound laboratories, they are simply too small, and the use of dogs. In the process, our position was misrepresented. We are not "dog and cat" people, but rather animal people. It is not sufficient to limit moral and human concerns to companion animals.

Secretary Weinberger then used the Senate language as the basis for lifting the moratorium. The final House/Senate language and DOD study do little to protect animals and nothing to address the basic shortcomings of this type of senseless reliance on inappropriate animal models.

[The prepared statement of Dr. McArdle follows:]

Prepared Statement of Dr. John McArdle
Director
Laboratory Animal Welfare

Mr. Chairman, I am Dr. John McArdle, Director of Laboratory Animal Welfare for The Humane Society of the United States. I am pleased to have this opportunity to address you on behalf of The HSUS and our 250,000 constituents who were outraged at the Department of Defense's (DOD) plans last year to shoot animals for student practice and were acutely disappointed in the Senate's failure to adequately respond to those concerns.

I am here today to provide the factual background for our position, and to again request that you end this senseless waste of taxpayers' money and animals' lives.

For many years, the DOD has shot several thousand pigs and goats at five of their facilities in the United States. The stated purpose of these shootings is to provide military medical students and other personnel with "hands on" experience with a "model" of human battlefield injuries. In reality, working on severely wounded animals is merely a self-confidence building exercise. They learn that animals shot with military weapons can survive; this helps to desensitize them to the extensive bleeding and damage associated with major wounds. They do not receive vital clinical experience.

Last year, the DOD planned to expand these activities by using their newly constructed $70,000 wound laboratory at the Uniformed Services University of the Health Sciences (USUHS). In addition to their traditional shooting of domestic farm animals, USUHS also planned to include medium-sized dogs obtained from dealers that have been cited for violations of the Animal Welfare Act. In response to protests from animal welfare organizations, Secretary Weinberger declared a temporary moratorium pending completion of an in-house, non-objective study group. Animal welfare organizations were neither consulted nor allowed to participate in their study.

On August 23, The HSUS notified each member of the defense appropriations committees that we intended to fight for an amendment to the FY 1984 DOD appropriations bill that would prohibit the purchase of animals for use in these wound laboratories. Our amendment was modeled on a successful amendment to a previous DOD money bill introduced by the late Senator Hubert Humphrey. His 1974 amendment prohibited the use of poisonous gases, chemicals, biological or chemical warfare agents and radioactive materials on dogs.

Unfortunately Senator Humphrey's humane thinking was not repeated in the Senate last year, when both the content and intent of our amendment was widely misrepresented by certain vested interests.

Our amendment prohibited the purchase of any animal or "otherwise fund the use of animals for the purpose of training medical students or other personnel in surgical or medical treatment of wounds produced by any type of weapon". This language was sponsored in the House of Representatives by C. W. Bill Young and passed the House, where the House conferees, by a vote of 419 to 0, were instructed to commit to the Young language.

In the Senate, The HSUS language was included in the subcommittee's recommendations to the full Committee. However, our efforts were circumvented in full Committee markup by substituting language that forbid the use of cats, which were never scheduled for use, and dogs. In the process, our position was misrepresented. We are not "dog and cat" people, but rather animal people. It is not sufficient to limit moral and humane concerns to companion animals.

Secretary Weinberger predictably used the Senate language as the basis for lifting his temporary moratorium. The final House/Senate language and DOD study do little to protect animals and nothing to address the basic shortcomings of this type of senseless reliance on inappropriate animal models.

Critiques of The HSUS Position

An interesting pattern emerges if you carefully examine the criticisms leveled against The HSUS position.

*1. A few medical researchers, backed by one Senator, consistently stressed that our amendment would end critically needed research on the treatment of wounds. OUR LANGUAGE NEVER MENTIONED RESEARCH, ONLY TRAINING. Research was never an issue and such criticisms were irrelevant to our position. Further, they objected to our use of the phrase..."by any type of weapon". Although we had a very specific interpretation of those words, these individuals chose to misinterpret our intent, failed to listen to our explanations and our indications of a willingness to change that portion of the amendment. They made no effort to work with us on this issue.

*2. The DOD study group made no serious attempt to investigate alternatives. Approximately 85% of the wordage in their report is irrelevant to the issue of the wound laboratories, since it deals with a defense of research and descriptions of the DOD regulations and procedures relevant to the use of laboratory animals (regulations which we can document are routinely violated).

The one critical piece of information they failed to provide was a comprehensive follow-up survey to the wound laboratory graduates. DOD has no data to substantiate their contention that shooting animals is a valuable educational experience. The animal welfare community, however, has conducted a survey. More than 900 physicians have responded, all highly critical of the rationalizations used by the DOD to justify the wound laboratories.

*3. The Association of American Medical Colleges (AAMC) provided their predictable opposition to any legislation involving laboratory animals and animal welfare issues, no matter how badly needed. According to AAMC "Enactment of this legislation would surely deny those who serve our country now and in the future in the military the best possible medical care for their injuries from the enemy bullet, bayonet, or a mugger's knife." However: (1) more that 900 qualified physicians describe this claim as nonsense, (2) the wound lab did not include knife wounds in their repertoire, and (3) USUHS has always sent their students to specific hospital emergency rooms where there is a high probability of patients with gun and knife wounds. Those gun wounds are not limited to low-caliber, Saturday night specials.

What was not discussed sufficiently last year were the methods used to train military surgeons in such countries as England, France, Holland, and Israel (for example), where animals are not shot for practice surgery. At this time, I would like to submit for the record letters from the Royal College of Surgeons and the British Department of Defense.

Problems

As described to us, by surgeons who participated in the Vietnam war, the use of animals cannot provide adequate preparation for the type and extent of wounds encountered in a battlefield situation. Their observations were:

"...totally unnecessary" (A. Prieto)

"The same knowledge of debridement, tissue burns, suture techniques, etc., could be videotaped once as a training film. It is not necessary to re-invent the wheel for each new class of physicians." (A. Greenfield - actually trained in a Pentagon wound lab).

You should consider the following:

*1. There are obvious anatomical and tissue differences between dogs, pigs, goats, and humans. Dr. Thomas Zuck, Commander of the Letterman Army Institute of Research (site of a wound lab), San Francisco, observed:

a) They use a special gelatin that nearly duplicates human muscle response to ballistic impact.

b) The gelatin gives a readable, more lasting record of the injury than an animal, who dies shortly afterward.

c) New treatment methods were devised from these gelatin studies (only later confirmed in very limited animal tests).
d) There is too much tissue variation among mongrel dogs to make them suitable in ballistic studies.

These comments were made in regard to ballistics research, which is not the issue today. However, they clearly demonstrate that alternatives to the use of animals are available and appropriate. Further, if tissue variability within a single species is a serious problem, how can one account for such differences between species.

*2. Wounds produced in completely anesthetized, suspended animals are both physiologically and pathologically different from those encountered in soldiers who are conscious when shot and may have to move prior to medical treatment. Under anesthesia, such factors as bleeding, muscle tone, reflexes, etc. change.

*3. The difference in body size would ensure more extensive wounds than if a human were shot in the same location.

*4. Combat wounds are unpredictable as to location, severity and complications. They are often multiple and in combination with other injuries such as burns, explosives, shrapnel wounds. The highly stylized, predictable wounds produced in the laboratory would seldom, if ever, be encountered in a combat situation.

What are the Alternatives for Training?

The HSUS would never suggest that our military, or any other, surgeons should not be properly trained. All of our lives could depend on it. However, would you have more trust in a surgeon who had only worked on dogs in extremely atypical situations or in a surgeon who received extensive clinical experience, on human patients, under the supervision of an experienced surgeon. I would prefer the latter. There are no shortcuts to appropriate medical knowledge.

There are several available and appropriate alternatives to the traditional methods utilized by the DOD.

*1. Initial training from viewing videotapes prepared under actual combat conditions. These are available now (e.g., Vietnam Vascular Surgery - prepared by one of the USUHS faculty).

*2. Although not our first choice, the French use fresh human cadavers to study and simulate a variety of traumas, including ballistic injuries. These specimens would be of the appropriate size and anatomy.

*3. Actual clinical experience (as used by such countries as England

and Israel) are the most appropriate "training" experience. According to law enforcement officials, high velocity weapons are being used against civilians in our major metropolitan areas. Exposure to hospital emergency rooms (which has always been part of the USUHS program) provides experience with real weapon-produced trauma, in contrast to questionable laboratory simulations.

Perhaps a more realistic training exercise would be to send the USUHS students and other military personnel on humanitarian internships to areas of the world where people are routinely and predictably shot with military weapons. This would provide appropriate clinical experience, a taste of the confusion and chaos of such situations and an opportunity to provide valuable medical aid to local populations.

Ultimately, like any other surgeon and regardless of the number of wounded and maimed animals, military physicians will only gain appropriate knowledge and skills by working on real patients, under the guidance of an experienced combat surgeon.

It is not necessity, but our inappropriate medical traditions, that are responsible for the continuation of these outdated practices.

Our position remains the same. Since adequate alternatives are available, The HSUS is opposed to shooting of any animals to provide training of any type.

THE ROYAL COLLEGE OF SURGEONS OF ENGLAND

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Secretary :
R. S. Johnson-Gilbert, O.B.E., M.A.

RSJG/JN

18th August, 1982

Dear Dr. Sharpe,

Thank you for your letter of 27th July about Senator David Roberti's proposed Bill to prohibit the sale of impounded animals from animal shelters.

You ask me if I would be prepared on behalf of this College, to make a brief statement to the effect that training new surgeons does not require animals and that such training can be achieved successfully in the "traditional humane British manner". I think it might be presumptuous and probably counter-productive to the success of Senator Roberti's Bill to claim humanity as a traditional British characteristic, and in so doing to imply a lack of that quality in our American friends; but it is certainly true to say that the use of animals to gain surgical dexterity is prohibited under our laws and that this has not proved an obstacle to the effective training of young surgeons in the United Kingdom.

Yours sincerely,

Secretary

Dr. Robert Sharpe,
Lord Dowding Fund,
51, Harley Street,
London, W1N 1DD.

DEPUTY DIRECTOR GENERAL OF ARMY MEDICAL SERVICES
MINISTRY OF DEFENCE
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D/AMD/19/14/9/DGAMS

John E McArdle PhD
Assistant Director
Institute for the Study of Animal Problems
2100 L Street
N W
Washington, D C

9th August 1983

Dear Dr McArdle,

Thank you for your letter which has been passed on to me from General Moore.

You are quite correct in that in this country medical students are not instructed in the management of missile injuries by using animal models nor to my knowledge is fresh human cadaver used. Nor in this country are live animals used to train qualified Service doctors in the management of wounds produced by high or low velocity weapon systems.

Many of our Service doctors have however had clinical experience in the managemen of such injuries arising from battles, skirmishes and incidents in various places over the years which in recent times have included Malaya, Borneo, Aden, Cyprus, certain middle-eastern countries, Ireland, and our own homeland and culminating last year in the campaign to remove the invading Argentinian Armies from the Falkland Islands.

The Home Office regulations in this country are such that it is not possible to use animals for any form of training purposes and the use of animals for experimental purposes can only be carried out under Home Office Licence which is strictly controlled and supervised by Home Office inspectors. It is therefore not possible to use animals to train medical students or doctors as you have suggested.

I trust this will be of assistance to you.

Yours sincerely.

Senator **Stevens**. I am going to have to interrupt you. I have read your complete statement. I have read the letters you have from Britain. It is a very difficult position we find ourselves in to deal with this proposition.

We will once again study it. There is a vote on now, and a series of votes following that. We will pursue your suggestions, and we will also discuss the matter with the Defense Department concerning the position that you recommend.

The action that was taken last year was taken on a vote of the committee. I think that it was with the full understanding of the issue. It is a most critical one, as far as we are concerned, to make certain that the military physicians are trained.

The British indicate that they have been sending their surgeons and doctors who are under training to areas where they have experience in treating wounds of individuals from battles—Malaya, Borneo, Aden, Cyprus, Ireland, and other, Argentine, and then the Falklands.

I don't think that that letter is going to help your cause. I certainly don't want to see us have to continue to be involved and send American personnel to places where they are having skirmishes and shooting people in order that they get a realistic battle-type training in the treatment of wounds if we can do it in simulated conditions dealing with animals.

Dr. **McArdle**. We would share that concern, certainly. No one is advocating that we have wars in order to train our personnel. The question we have is whether those simulated conditions in fact provide adequate training.

Senator **Stevens**. You take the position that we shouldn't use any animals, period, isn't that correct?

Dr. **McArdle**. Just for the training exercises. Last year, it was implied that we were trying to stop research, which we are not, and we are very adamant about that.

Senator **Stevens**. I understand that.

What do you do about training, and how do they get training?

Dr. **McArdle**. The basic mechanism, as far as training is concerned, there are a variety of things that we can do. There are video-tapes that are in existence.

We have talked and interviewed on this point a variety of Vietnam surgeons, who were trained by the military in the wound laboratory, and they tell us that the situation is so stylized and, in fact, the damage was not at all equivalent to what they saw on the battlefield. They would have preferred to have video-tapes and to have experienced surgeons present with them as part of the training exercise, people who had gone through this.

Another difference with the English system and ours is that they tend to have career military surgeons who stay with it, so you have individuals who have been there for 15 or 20 years and have accumulated experience. We, unfortunately, our people tend to leave the military and go into private practice.

Senator **Stevens**. They also have Government medical service. Their people are nationalized, so it is a different system altogether.

I will have to go, I am sorry. I have read your statement, and we will obviously consider it in the full committee.

Thank you for your contribution.

ADDITIONAL PREPARED STATEMENTS

At this point in the record, we will insert the prepared statement of those persons unable to attend the hearing.

[The statements follow:]

PREPARED STATEMENT OF S/FC FRANCIS COTTON
U.S. ARMY RESERVE

Mr. Chairman, Distinguished members of the Committee, I thank you for this brief moment to be heard on this subject.

I joined the Army Reserve Program in 1967 as a Private E-1, and am currently a Senior NCO in the rank of E-7. I have just recently completed sixteen (16) dedicated years in the Reserve Program. The position I hold is that of a Platoon SGT with additional duties as an:

a. Alternate Key Custodian
b. Member of the Unit Fund
c. Member, Energy Conservation Task Group
d. Assistant Security Manager
e. Identification Card Control NCO
f. Safety NCO
g. Attendance Officer
h. Retention NCO AND
i. Vice-President, Junior Leadership Council

When I first entered the Reserves, I had no intention of making it a career. However, as years passed, I became interested. I grew with-in the unit, I became involved, opportunities opened up and I advanced. With these promotions, came more duties. I welcomed the challenges. I applied to correspondence courses. I advanced in my technical skills and with the knowledge I gained, I shared it with my fellow enlisted members, knowing it would make them a better Reservist.

My civilian job is that of a General Distribution Supervisor. I have been working for the same firm for seventeen (17) years. I started out, as in the Reserves, at ground level and gained knowledge as I went on.

I tell you this because my civilian occupation deals with the transportation of merchandise, as does my Reserve unit. I have applied all my civilian technical skills and knowledge into the Reserves, thereby brining what I feel to be, a higher level of compentency to the Program. My sixteen (16) years of service is all Reserve time, and all in the same unit.

Unless this new program called the Full-Time Manning Program, is eliminated, I will be given a choice, either to become Full-Time Army and loose my seventeen (17) years of civilian time OR I say, no thank you and loose my sixteen (16) years in the Reserve Program.

I'm not in the Reserve Program for the money because my civilian job is number one. My advancement civilian wise is greater than that of the Reserves. I'm in the Reserves because I want to be.

This country was fought for by Reservists. The Minute Men of Lexington and Concord were farmers/soldiers, who put down there plow sheds and put rifle in hand to defend their land.

By instituting this new program, it will RUIN the current one as we now know it, stop career progression and adversely effect readiness.

Thousands of qualified Reservists throughtout the country have become affected and soon will be involuntarily removed. Units will lose the skilled people who are now in these slots.

I do not know about Cost Studies, but I would like to say my own unit is slated to have nine (9) Full-Time Active Duty personnel to handle the work that for years was done by one Civilian Technician and the Reservists in the unit. What will a Full-Time Active Person do???

I can only speak for my unit, but I'm sure there are others when I say we have many dedicated Reservists, who come to the Center on week nights, days or weekends at no cost to the Government. Why are they there? Because they take pride in their unit, they have a job to do and they will forefill that commitment, which they made to the unit and to themselves, for self-satisfaction and because they want to be there.

We the Reservists are there by our own chosing, unlike that of an Active Duty person, who has no vested interest in the unit. When his/her tour is over, he/she will move on at a significant cost to the taxpayer, I might add. How can you figure cost on devoted hours given by Reservists for Flag and Country.

By putting Active Military people on Full-Time, the advancement potential will decrease, if not end. People will lose interest and leave the Program. The strength in the Reserves will decrease.

The Reserve and Guard Program have bumper stickers and other type of literature that says, "SUPPORT THE GUARD AND RESERVE", which is aimed at the employer. How can this be when the Government itself does not support it and is attempting to destroy the careers of dedicated Reservists. I urge you to STOP THIS PROGRAM IMMEDIATELY.

Thank you for this opportunity once again. This concludes my testimony.

The American Legion

JOINT PREPARED STATEMENT

ALAN M. OLSZEWSKI, ASSISTANT DIRECTOR
NATIONAL LEGISLATIVE COMMISSION

and

JAMES HUBBARD, DEPUTY DIRECTOR
NATIONAL SECURITY/FOREIGN RELATIONS

The American Legion is pleased to again have the opportunity to make its views on the FY 85 Defense Budget known to the members of this distinguished committee. As you know, the Legion has always maintained strong views on how best to protect our nation since, as Legionnaires, we have been intimately involved in its protection through four separate wars and do not wish to witness another.

In general, The American Legion believes that the $305 billion defense budget proposed by the Administration for Fiscal Year 1985 is in keeping with the recommendations of its mandates urging maintenance of a strong, well-equipped, well-trained armed force designed primarily to deter aggression and thus ensure peace.

In view of this nation's world wide commitments, we support the President's continued development of additional amounts of readiness within our armed forces. Consistent with this is progress toward a 600 ship Navy which will become essential to maintain open sea-lines of communication in the event of any future conflict. Also seen in a positive light is the inclusion of production money for the initial procurement of 37 B-1 bombers and the first 37 MX missiles. Each of these items, we believe, will send a clear signal to our adversaries that while we do not intend to fire the first round, we are prepared to defend ourselves should the other side embark on some adventure.

The delegates to The American Legion 65th Annual Convention have recently adopted a position in favor of a spaced-based ballistic missile defense system. The President has included $2 billion in his budget for research into this defense system which will be capable of destroying Soviet ICBMs as they fly through space and begin their descent onto U.S. soil. The Legion firmly believes that progress along this path will ultimately result in a world which is a much safer place to live.

The proposed 10.4 percent increase in operations and maintenance portion of the DoD Budget to $81.4 billion carries our full support. The purchase of adequate spare parts, fuel, training ammunition and all of the other items necessary to train troops and maintain equipment is vitally necessary to the readiness of our armed forces. A fighter pilot with insufficient flying hours to maintain competence in his aircraft, or a soldier who can't shoot straight due to lack of practice are of little use in battle.

Of particular concern to The American Legion, however, is the budget for the United States Army for the coming year. Our Army has 43% of its soldiers serving overseas - a good portion of whom are serving as a conventional deterrent in NATO countries. They face a Soviet conventional force that is impressive by any measurement, and while Soviet defense expenditures are difficult to measure, the best available evidence suggests that they sustained a steady buildup over the last decade. This corresponds to the same period when United States investment in defense began a decade long decline, interrupted only by the spending increases during the Vietnam period.

In 1982, it is estimated that the Soviets spent about 30% more on military activities than comparable U. S. spending. This amounts to an allocation of approximately 15% of their annual Gross National Product devoted to defense as compared to the projected U.S. total of 6.8 % of GNP for FY 85. This spending gap, in our view, has created a vast imbalance in combat capability of the United States' conventional forces vs. the Soviet conventional forces. While this imbalance has been addressed in recent years, we feel it has been accomplished at too slow a pace and suggest that the process be speeded up during FY 85.

Another area of Army funding requiring specific attention is the M-1 tank, the Army's primary ground combat weapons system for closing with and destroying enemy forces. As one of the most essential modernization programs currently underway the M-1 tank program will have a material effect on the mission of the Army - to deter an enemy from starting a war, or if it started, to win the land battle.

Last year, Congress provided money to buy 840 M-1 tanks, while the current budget request calls for procurement of 720. This appears to be a stretch out of the program which will postpone the date at which this critical portion of the modernization will be complete and at the same time will cost the taxpayers more money. We feel that procurement of 840 tanks for FY 85 is fully warranted and should be funded by the Congress. It should pose no problem for the Army to absorb the increase in production. They have an admirable program to equip both active and early deploying Reserve and National Guard with new equipment as it becomes available.

It is widely known that Soviet forces are trained, equipped and structured to conduct offensive and defensive chemical warfare. They have deployed a variety of chemical agents and delivery systems and have the tactical doctrine for large scale use of such weapons. Also there is a growing body of evidence which suggests that the Soviets have engaged in testing and perhaps modifying this doctrine in Afghanistan, Southeast Asia and the Persian Gulf.

For these reasons, The American Legion believes that the United States must maintain a credible retaliatory chemical warfare capability. Our current capability is inadequate due to its age, configuration and composition. The Army estimates that only 10% is ready for issue and it has requested funds for a modern replacement for this aging arsenal. The binary weapons requested are a major improvement over the previous chemical deterrent and we urge your approval for these weapons.

According to testimony offered by the Chief of Staff of the Army, and the Secretary of the Army, a major change in the Army force structure will be undertaken in the near future. The concept, known as the "light division" will involve the reorganizing of one of the current Army divisions to the light concept. It is our understanding that the light division will be an elite infantry force with a high ratio of combat power to total strength and a high leader to led ration. It will also be substantially smaller than the current division. While we support the concept of tailoring one or two divisions to fulfil a necessary mission, we have two major objections.

The first involves the real reasons for the change. The Army claims that a light division will be deployable by 400-500 C-141 sorties in the first few days of a crisis, and hopefully could defuse the problem before its got out of hand. That is undoubtedly true; however, what happens if the crisis is not defused by one light division and an armored division is required? The real problem which then arises is the lack of adequate air and sealift which would then preclude the deployment of a heavier more capable force. The light division concept seems to be the only way the Army has to respond to the failure of the Air Force and the Navy to request the necessary air and sealift. The Army has been warning of this problem for several years now and has been unable to attract attention. Despite these problems, the Army still has missions requiring rapid deployment of troops, which must be carried out by other services. It is our view that this is a fundemental problem which must be addressed and soon.

The other objection we have to the current plan for forming light divisions is that existing forces will be reorganized to form the divisions. Clearly, this will have a negative effect on the capability of the forces scheduled for NATO deployment. We question the utility of robbing the capability of the current Army to create a force for a mission for which the Army has previously been ill-equipped. It is our recommendation, therefore, that an increase in the authorized end strength to between 10-15,000 troops is called for to support this new mission.

We would also like to discuss our concern about the Army's Preposition of Material Configured to Unit Sets (POMCUS) stocks, which are clearly inadequate to accommodate the later deploying units committed to NATO. Shortages in key war reserve stocks of ammunition, consumable spare parts and personnel items would begin to occur after only 30 days in the event of a conflict. The majority of these stocks could not be replenished by airlift and sealift would be needed. However, whether or not that sealift was available would be problematic. During the first months of World War II the German submarine fleet was able to sink 50% of allied shipping with only a fraction of the number of submarines currently available to the Soviets. Another prime consideration is that when NATO's stocks of conventional ammunition was exhausted, the Supreme Commander would be forced to either surrender or request to use his tactical nuclear weapons. A significant increase in the war reserve stocks of ammunition available to NATO would clearly raise the nuclear threshold and make the world a bit safer.

As evidenced by the officially adopted mandates attached to this statement, the 2.6 million members of The American Legion are committed to insuring that this nation maintains a defense strong enough to deter aggression, and if deterrence fails, strong enough to insure resolution of any conflict on terms favorable to the United States. This position is one which Legionnaires have favored for 65 years and one which will continue to receive our support. We do not wish to see our children and grandchildren forced to go to war because we were unready, or unwilling to defend our national interests.

In conclusion, we commend to your attention the 23 attached resolutions and request that they be included into the record of these proceedings. Again, The American Legion appreciates this opportunity to share with you its view on the DoD budget for FY 85 and welcomes any questions or concerns you may have about the attached materials.

SIXTY-FIFTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 23-25, 1983
SEATTLE, WASHINGTON

RESOLUTION NO.: 83

COMMITTEE : NATIONAL SECURITY

SUBJECT : MODERNIZATION OF U.S. AIR FORCE

WHEREAS, Every major conflict since World War I has demonstrated the need for air superiority in order to conduct successful ground combat against an armed hostile force; and

WHEREAS, The Soviet Union now possesses the requisite number of aircraft to potentially deny air superiority to the United States in an armed conflict involving those two nations; and

WHEREAS, Soviet use of air power has allowed them to challenge U.S. influence in areas of the world most critical to the security of the United States, and

WHEREAS, Our national survival and the security of our allies depend on the ability of the U.S. to maintain air superiority in order to foster the strategic airlift capability, the close air support capability, and the strategic combat capability of the U.S. Air Force; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that we urge the Administration and the Congress to act immediately to provide the necessary funding to modernize the U.S. Air Force in order to maintain the most up-to-date equipment available for close air support capability, strategic airlift and air superiority roles assigned as the Air Force mission.

SIXTY-FIFTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 23-25, 1983
SEATTLE, WASHINGTON

RESOLUTION NO.: 87

COMMITTEE : NATIONAL SECURITY

SUBJECT : M-X MISSILE

WHEREAS, The land-based intercontinental Ballistic Missile (ICBM) is a cornerstone of our national strategic deterrent; and

WHEREAS, Under the provisions of the interim SALT agreement, Soviet strategic forces are numerically superior to those of the United States and the Soviets deploy three times the missile throw-weight of comparable U.S. forces; and

WHEREAS, The Soviet Union has initiated new ICBM programs representing a massive effort in the form of new missiles, new bus-type dispensing systems, new Multiple independently Targetable Re-entry Vehicle (MIRV) payloads, new guidance systems, new type silos, new launch techniques and probably new warheads; and

WHEREAS, All available evidence suggests that targeting our ICBM silos continues to be high priority for the Soviet ICBM force; and

WHEREAS, In first strike capability by the Soviet Union would destroy the balance of strategic weapons between us; and

WHEREAS, A Secretary of Defense has stated that "reducing the vulnerability of the land-based ICBM force is the highest priority strategic initiative in the Department of Defense five-year program"; and

WHEREAS, The Air Force has undertaken programs to improve the accuracy yield and survivability of its Minuteman missiles including improved guidance and propulsion, Mark 12A increase the Warhead yield and hardening of the silos; and

WHEREAS, In the long run, the MX missile provides the most promising ICBM initiative for preserving essential equivalence and fostering arms reductions talks; and

WHEREAS, Survivability is a dominant concern in the update of our intercontinental Ballistic Missile program; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that the Administration and the Congress be urged to provide full support to Defense Department efforts to develop and deploy the MX (Peacekeeper) missile as expeditiously as possible to ensure that the U.S. does not allow the Soviet Union to achieve a position of strategic superiority inimical to our national security interests.

SIXTY-FIFTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 23-25, 1983
SEATTLE, WASHINGTON

RESOLUTION NO.: 139

COMMITTEE : NATIONAL SECURITY

SUBJECT : TACTICAL AIRCRAFT

WHEREAS, For the United States to be capable of protecting its world-wide interests, we must be able to respond with military power when our interests, or those of our allies, are threatened and military force is deemed appropriate; and

WHEREAS, The erosion of our strategic nuclear superiority has reduced the deterrent value of the nuclear umbrella as well as increased the reliance upon the contribution of conventional forces in our overall deterrent strength; and

WHEREAS, The primary threat to our general purpose forces continues to be the Soviet Union Warsaw Pact; and

WHEREAS, The continued rapid introduction and production by the Soviets of new, more modern and sophisticated tactical systems may soon have us facing a force that it not only vastly superior numerically, but one that is comparable qualitatively; and

WHEREAS, The most demanding conventional threat facing the United States is an armored attack on Western Europe by the Warsaw Pact; and

WHEREAS, NATO plans rely heavily on the flexibility of tactical air power to be able to shift combat power rapidly to threatened sectors; and

WHEREAS, Our tactical Air Force must not only aid in blunting an attack along the forward line, but must provide the capability to delay, disrupt and destroy enemy reinforcements and resupply; and

WHEREAS, Since only a limited number of tactical aircraft may be deployed during nearly critical phases of a contingency, it is essential that they represent the best our contry can field in order to signal our determined resolve to end the conflict on terms favorable to the United States; and

WHEREAS, The national requirement demands the flexibility and capabilities provided only by tactical fighters possessing superior performance, fire control systems, and armaments; and

WHEREAS, It is imperative that the United States maximize the capabilities of the forces that are programmed and to build upon those forces to deter a present, ever-growing threat; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that we strongly urge the Administration and the Congress to fully support the Air Force efforts to increase the production rates and capabilities of our tactical aircraft, so that older, less capable aircraft in our Active and Reserve units may be replaced as quickly as possible.

SIXTY-FIFTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 23-25, 1983
SEATTLE, WASHINGTON

RESOLUTION NO.: 141

COMMITTEE : NATIONAL SECURITY

SUBJECT : B-1 BOMBER AND ADVANCED TECHNOLOGY BOMBER (ATB)

WHEREAS, Over the past several decades, the modernization of U.S. strategic forces has not kept pace with the relentless growth of Soviet nuclear capabilities, our deterrent posture has eroded so that we now face a formidable challenge; and

WHEREAS, As announced comprehensive plan for modernizing our strategic forces includes production of the B-1B bomber in the 1980s while we pursue vigorous development of an advanced technology bomber (ATB) Stealth aircraft for deployment during the 1990s; and

WHEREAS, The cost of maintaining the aging B-52s through the 1990s to the year 2000, including the modifications and essential improvements, would exceed the entire cost of the B-1B program; and

WHEREAS, The B-1B bomber is strategically not just an interim bomber, but a highly versatile aircraft that can function well into the 21st century, and when the Stealth is deployed, can then serve as cruise missile carriers, replacing the B-52s; and

WHEREAS, The Department of Defense stated that the B-1B can be built for the projected cost of $21.5 billion because the engineering is complete, the design is mature and tested, and the basic plane has undergone almost 2000 hours of highly successful flight testing;

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that we support the President's decision to produce the B-1B bomber now, followed by eventual introduction of the ATB because it is a militarily sound and cost-effective contribution to our nation's strategic force modernization program to improve our nuclear deterrent posture.

SIXTY-FIFTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 23-25, 1983
SEATTLE, WASHINGTON

RESOLUTION NO.: 173

COMMITTEE : NATIONAL SECURITY

SUBJECT : SUPPORT OF A STRONG NATIONAL DEFENSE

WHEREAS, We, The American Legion, as indicated in the first lines of our Preamble to the Constitution, are dedicated to uphold and defend the Constitution of the United States of America; and

WHEREAS, The American Legion supports a bi-partisan effort on behalf of our government to guarantee, as sc directed by The Constitution of this great nation, that we have beyond question the best national security program known to the world; and

WHEREAS, We will make any sacrifice necessary to this end; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle Washington, August 23, 24, 25, 1983, that we commend those Members of Congress who are attempting to improve our military preparedness; and, be it further

RESOLVED, That we urge Congress to continue their efforts to bring our national military strength, of hardware, men and materials to the position that our nation will be number one, and that our people will not have to live in fear of any sudden attack without the ability to retaliate.

SIXTY-FIFTH ANNUAL NATIONAL CONVENTION
OF
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AUGUST 23-25, 1983
SEATTLE, WASHINGTON

RESOLUTION NO.: 248

COMMITTEE : NATIONAL SECURITY

SUBJECT : AERIAL REFUELING CAPABILITY/KC 135 TANKER AIRCRAFT

WHEREAS, Various Air Force analyses show that additional serial refueling capability is needed for optimum bomber penetration routes to support the Single Integrated Operational Plan (SIOP); and

WHEREAS, The requirement for tanker support will increase when the B-52Gs begin to carry Air Launched Missiles (ALCMs) externally; and

WHEREAS, This strategic planning problem is compounded by the requirement to refuel airlift and tactical aircraft for contingency operations; i.e. NATO, Mid-East; and

WHEREAS, Present aerial refueling requirements for combined SIOP and contingency missions exceed the current capabilities to such an extent that during simultaneous operations these missions would be seriously degraded due to tanker deficiencies; and

WHEREAS, There are various operational and environmental problems with the KC-135A as currently engined, including limited thrust and fuel offload capabilities excessive engine nosie, chronic take-off thrust problems and gaseous emissions; and

WHEREAS, Recent evidence also shows water requirements would be a problem for those KC-135s involved with operations in scarce water areas such as the Mid-East; and

WHEREAS, Re-engining the KC-135 with the CFM-56 engine will increase fuel offload capabilities at all refueling ranges, improve engine thrust, reduce basing constraints, and save 180,000 gallons of fuel per aircraft per year; and

WHEREAS, The re-engined KC-135 is six times quieter and substantially less polluting than the current KC-135A; and

WHEREAS, The Air Force objective is to provide an acceptable level of refueling support to strategic bombers, tactical fighters and long range strategic transports across a range of possible scenarios and, in view of ~~political~~ realities and uncertainties, plans must be made to provide this refueling support without en-route basing; and

WHEREAS, Our air refueling force must be able to respond to Administration concerns for a global response capability and the ability to support a protracted conflict; now, therefore, be it

RESOLVED, By The American Legion, in National Convention assembled in Seattle, Washington, August 23, 24, 25,1983, that we urge the Administration and the Congress to support the Air Force program to re-engine its KC-135 tanker force with new, quieter, fuel efficient engines which will provide the capability in the years ahead to meet the refueling requirements of our strategic, tactical and airlift forces.

SIXTY-FIFTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 23-25, 1983
SEATTLE, WASHINGTON

RESOLUTION NO.: 253

COMMITTEE : NATIONAL SECURITY

SUBJECT : STRATEGY FOR PEACEFUL AND MILITARY USE OF SPACE

WHEREAS, The President of the United States has announced a National Space Policy as the result of an inter-agency review which began in August, 1981 and which review included a comprehensive analysis of all segments of the National Space Program; and

WHEREAS, This policy reaffirms the National commitment to the exploration and use of space in support of our national well-being and establishes the basic goals of the United States policy to strengthen the security of the United States, maintain United States space leadership, obtain economic and scientific benefits through the exploration of space, expand United States private sector investment and involvement in civil space and space related activities; promote international cooperative activities in the national interest, and cooperate with other nations in maintaining the freedom of space for activities which enhance the security and welfare of mankind; and

WHEREAS, A Senior Inter-Agency Group on Space has been established to provide a forum to all Federal Agencies for their policy views, to review and advise on proposed changes to national space policy and to provide for the orderly and rapid referral of space policy issues to the President for decisions as necessary; and

WHEREAS, It is deemed that the national security of the United States requires the maintenance of space leadership by the United States. Now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, urge the Administration and the Congress to reaffirm the national commitment to the exploration of space in support of our national security and national well-being and that the United States conduct activities in space necessary to its national security including such functions as command and control, communications, navigation, environmental monotority, warning, surveillance and space defense.

SIXTY-FIFTH ANNUAL NATIONAL CONVENTION
OF
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AUGUST 23-25, 1983
SEATTLE, WASHINGTON

RESOLUTION NO.: 281

COMMITTEE : NATIONAL SECURITY

SUBJECT : SPACE-BASED BALLISTIC MISSILE DEFENSE SYSTEM

WHEREAS, The American Legion has urged the Administration and the Congress to conduct a comprehensive review of the defense program of the United States and develop and implement a program with significant real annual budget increases to assure the security of the nation and the support of its foreign policy; and

WHEREAS, The President has announced a comprehensive plan for the modernization of U.S. strategic weapons, making clear what the United States will do to strengthen its strategic posture if fair and equitable agreements for arms reduction cannot be reached; and

WHEREAS, The comprehensive plan includes a commitment to upgrade our electronic command and control systems and to accelerate research and development aimed at devising an effective anti-ballistic missile defense system; and

WHEREAS, It has been reported that the Soviet Union may be prepared to deploy laser beam type weapons in space in this decade and to have a large, permanent, manned orbital space complex capable of attacking land, sea and air targets operational in the next decade. and

WHEREAS, The United States currently has a technological lead over the Soviet Union, especially in space as demonstrated by the Space Shuttle, and should be making much greater use of the opportunities open to us for peaceful scientific, industrial and commercial applications of space as well as harnessing its military potential; and

WHEREAS, It may not be possible for the U.S. to continue to budget unlimited amounts in an effort to match the enemy's capabilities in all types of forces and weapons, and because there is a growing popular demand for a reduction in strategic nuclear weapons; now, therefore be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that we urge the President and Congress to adopt a new military strategy which would take advantage of available and developing space technology to assure that the United States maintains the lead in such technology, and to provide for developing a space-based ballistic missile defense system.

SIXTY-FIFTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 23-25, 1983
SEATTLE, WASHINGTON

RESOLUTION NO.: 322

COMMITTEE : NATIONAL SECURITY

SUBJECT : STRATEGIC NUCLEAR POLICY

WHEREAS, The United States has considered that nuclear war would essentially spell the destruction of civilization, a view which led us in the 1960s and 1970s to accept a steady erosion of our military strategic strength through successive enunciated policies which only confirmed our diminishing relative strength; and

WHEREAS, The continued acceptance of such a policy would lead us to a position of inferior strategic strength, vis-a-vis the Soviet Union, by the mid-80s; and

WHEREAS, A strategic policy which would hold our own citizens hostage to nuclear exchange in order to deter aggression lacks credibility because of the Soviet's recently developed more accurate and more powerful MIRVed ICBMs, having first strike capability; and

WHEREAS, The Soviet Union strategists have long developed their military war machine from the concept of "winning" a nuclear war; and

WHEREAS, In developing their strategic nuclear offensive capability, the Soviets have emphasized their Intercontinental Ballistic Missiles (ICBMS), and have been modernizing that force, stressing improved readiness, greater throw-weight, increased accuracy, better command and control; and

WHEREAS, They have also increased the number of re-entry vehicles and provided hardened silos to improve survivability; and

WHEREAS, There is evidence from the budgets submitted to the Congress that the Administration is attempting to provide our Armed Forces with improved strategic capabilities to counter the Soviet advances; and

WHEREAS, The development of new capabilities and rapid deployment of Anti-Ballistic Missiles (ABMs) including laser and other scientific break throughs, would enhance the survivability of our ICBMs, strategic bomber bases, defense communication sites, military facilities and the civilian population; and

WHEREAS, At the present time, the U.S. has no effective defense against an attack by Soviet strategic aircraft; and

WHEREAS, The improvement of our manned and unmanned capability to intercept and destroy Soviet aircraft and cruise missiles would appreciably add to the deterrence of enemy attack; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that we pursue a new strategic nuclear policy which will lead the U.S. to develop the needed strength to destroy Soviet strategic offensive capabilities, rather than the destruction of soft targets, and be it further

RESOLVED, That together with the development of these new capabilities that the U.S. develop the force structure necessary to defeat the Soviet Union, while minimizing destruction to the United States.

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RESOLUTION NO.: 314

COMMITTEE : NATIONAL SECURITY

SUBJECT : AIRLIFT CAPABILITY

WHEREAS, Rapid reinforcement and world-wide mobility are major elements of the defense policy of the United States; and

WHEREAS, Rapid mobility is essential to deterrence and it is imperative that the total mobilization airlift capability of the United States be maintained at a level to allow for rapid deployment of the armed forces of the United States in a time of need; and

WHEREAS, Current airlift deficiency is judged to be the greatest problem the U.S. Air Force faces in executing national military strategy; and

WHEREAS, Both the Secretary and Chief of Staff of the U.S. Air Force have testified that the procurement of additional out-size cargo airlift capability is a top priority of the Air Force in the mobility area and is essential to their needs; and

WHEREAS, The availability of such additional capability is essential to rapid reinforement and world-wide mobility of the Armed Forces of the United States; and

WHEREAS, The Congressionally mandated Mobility Study affirmed this short-fall in airlift capability; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that we urge the Congress of the United States to authorize funds to insure that sufficient airlift capability will be available in future years to provide for rapid development of the armed forces of the United States if it becomes necessary to prevent infringement upon the vital interests of the United States anywhere in the world by any potential aggressor.

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RESOLUTION NO.: 315

COMMITTEE : NATIONAL SECURITY

SUBJECT : HEAVY VERTICAL AIRLIFT

WHEREAS, Containter ships can become more productive by reducing the time of loading and unloading. Use of heavy vertical airlift can unload/load containers before or without docking, while the vessel is enroute saving turn around time, and allowing the cargo to be delivered directly to its end user, not a dock; and

WHEREAS, The Forest Service is sponsoring an increase in timber harvesting heavy vertical airlift tonnage capacity beyond the current capability of the U.S. Armed Forces; and

WHEREAS, Productivity in the resupply of military and civilian material can be improved by the application of heavy vertical airlift technology which will also reduce our dependence on host country facilities; and

WHEREAS, The movement of ship transported equipment to inland locations and return to ship can be effected at the least cost and maximum independence of harbor and port conditions; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that The American Legion support research and development of heavy vertical airlift technology to place the U.S. military in a superior position and to allow the maximum mobility for the rapid application of force, not limited to geographic or political constraints.

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RESOLUTION NO.: 317

COMMITTEE : NATIONAL SECURITY

SUBJECT : ANTI - BALLISTIC MISSILE DEFENSE

WHEREAS, Our strategic defense strategy for decades has rested on mutual-assured-destruction (MAD); and

WHEREAS, This defense philosophy has manifestly failed in that the Soviets have continued to increase their nuclear advantage with the obvious intent to arrive at a level where nuclear blackmail is inevitable; and

WHEREAS, A new nuclear strategy is long overdue that does not hold our people hostage in case of nuclear war; and

WHEREAS, President Reagan, in his historic address to the nation on March 23, 1983, announced a national commitment to the development of defensive air defense and anti-ballistic missile system to end the age of thermonuclear terror; and

WHEREAS, Under existing treaties the Soviets have built an extensive air defense and anti-ballistic missile system, the so-called Moscow ABM System, providing protection to substantial portions of Western USSR containing about 75% of the Soviet population and industry and a substantial portion of Soviet military capabilities; and

WHEREAS, The Soviets have used the period since the ABM treaty to greatly increase their ABM capabilities by an all-out research and development program which might or might not violate the aforementioned treaty; and

WHEREAS, We have dismantled our system and an adequate latitude exists for substantial ABM effort utilizing present and readily foreseeable technologies; and

WHEREAS, A continued effort in this area is feasible and practical extending into space as visualized by the President in the future; and

WHEREAS, The President's Commission on strategic forces stated that "Vigorous research and development on ABM technologies--including, in particular, ways to sharpen the effectiveness of treaty-limited ABM systems with new types of nuclear systems and also ways to use non-nuclear systems--are imperative to avoid technological surprise from the Soviets,": and

WHEREAS, All efforts toward strengthening our defense will continue to be challenged by those who promote a posture of unilateral disarmament orchestrated wittingly or unwittingly by the intelligence actrivities of the Soviet Union; and

WHEREAS, The results of our efforts are plainly understood by the Soviets in that Soviet Premier Andropov said in Izvestia (March 27) and Pravda (March 28) that he would rely on the "peace movement"--the nuclear freeze movement-- in the West to sabotage President Reagan's noble initiative; and, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that we applaud the President's change in the national strategy of deterrence from one of mutually assured destruction wherein populations are held hostage to the threat of destruction from nuclear weapons, to a strategy of protecting our population through defensive measures; and, be it further

RESOLVED, That we urge the Congress to support the President's initiatives in re-establishing our anti-missile system effort using all latitudes available including the existing ABM treaties; and be it further

RESOLVED, That all-out research and development be undertaken to increase our anti-ballistic missile capability using all techniques, including space, as these techniques can be developed; and be it finally

RESOLVED, That we in The American Legion initiate an all-out effort to counter the propaganda efforts of those who promote unilateral disarmament.

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RESOLUTION NO.: 436

COMMITTEE : NATIONAL SECURITY

SUBJECT : CRUISE MISSILE

WHEREAS, The Cruise missile is one of the United States newest and most sophisticated weapons systems; and

WHEREAS, The CM is deployable on land, sea or air; and

WHEREAS, The CM can carry either a conventional or a nuclear warhead; and

WHEREAS, The CM can hit targets up to 1,500 miles away; and

WHEREAS, Nuclear-tipped CMs are virtually indistinquishable from battle field models with conventional warheads; and

WHEREAS, The CM also is economical, being relatively inexpensive (about $1 million); and

WHEREAS, The CM does not require a new and fixed platform, though they may be used; and

WHEREAS, Due to its small size and the treetop altitude at which it flies, the cruise missile is virtually indistinquishable by radar; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that we strongly recommend that the Congress fully fund the production and fielding of the cruise missiles determined to be essential to the defense of the nation, after complete testing and proven reliability.

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RESOLUTION NO.: 92

COMMITTEE : NATIONAL SECURITY

SUBJECT : SUPPORT OF THE ARMY 86 STUDIES AND 90 TRANSITIONS

WHEREAS, The U.S. Army must be able to fight in varying climates and terrain and against oppenents capable of operating at varying levels of conflict; and

WHEREAS, While the U.S. Army now retains 24 combat divisions, Army 86 studies leads to an assessment that 26 divisions and many other small units to deal with the broad spectrum of threats to our national interest by the late 1980s; and

WHEREAS, Some battalions in armored and mechanized infantry divisions will transition to Division 86 designs during Fiscal Year '83 using personnel and equipment assigned to the division of the time of transition and within these divisions, remaining battalions will continue their transition to the more effective Division 86 structure as new systems are fielded; and

WHEREAS, The conversions will require authorization and funding for military construction, personnel moves, acquisition of supporting equipment, and one-time operational costs which will result in divisions being better able to support themselves and far more capable than current divisions; and

WHEREAS, The Army's High Technology Test Bed (HTTB) project involving the 9th Infantry Division at Fort Lewis, Washington, is proceeding on schedule and will help to develop a lighter, hard hitting force--a new high technology light division (HTLD) that exploits technology and human effectiveness training and that will be rapidly deployable, tactically mobile, highly lethal, and considerably self-sustainable; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that we support the Army 86 studies, the Army 90 transition plan, and the initiative underway at Fort Lewis as essential to the development and adoption of dynamic force structures capable of defeating any threat; and, be it further

RESOLVED, That we strongly urge the Department of Defense and the U.S. Congress to support the aforementioned initiatives by authorizing and funding the necessary equipment and other requirements to recognize the Army's force structure of the 1980s and beyond.

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RESOLUTION NO.: 98

COMMITTEE : NATIONAL SECURITY

SUBJECT : SUPPORT FOR A STRONG U.S. NAVAL RESERVE AND U.S. MARINE CORPS

WHEREAS, The U.S. Naval Reserve and the U.S. Marine Corps Reserve have been essential arms of the United States military for many years; and

WHEREAS, In recent directives of various administration these Reserve forces have been reduced to a small pool of officers and enlisted personnel used to fill gaps in the regular forces of their respective services; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that the U.S. Naval Reserve - air, surface and sub-surface elements, and the U.S. Marine Corps Reserve, be expanded in direct proportion to increases in the regular forces; that the Reserves current mission statements be reviewed and upgrade to reflect new wartime demands and new global responsibilities; that emphasis be placed on integral unit activation and deployment rather than piecemeal use to fill attrition deficits in regular forces; that wholly new mission area be explored, especially where rapid employment of a "surge" capability is essential.

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RESOLUTION NO.: 91

COMMITTEE : NATIONAL SECURITY

SUBJECT : SUPPORT TOTAL FORCE POLICY

WHEREAS, The Reserve components account for more than 40% of the Army's total military strength, the Army's National Guard provides one-third of the total number of Army combat divisions and two-thirds of the Army's combat service support capability is found in the Army Reserve; and

WHEREAS, The ultimate goal is to have sufficient personnel to man Reserve and National Guard and sufficient equipment for these units at authorized wartime levels; and

WHEREAS, The DOD Reserve Forces Policy Board has issued a report entitled "The Reserve Forces in the 1990's" which concluded that equipment needs in the Reserve and National Guard are serious and that if the Reserve and National Guard are to continue as a viable part of the Total Force, ready for early deployment in both combat and support roles, then the concept of unitary equipment buys including sufficient spares, mirror image organization and identical equipage must be expanded and accelerated; and

WHEREAS, The National Guard and Reserve strength during the 1980-1990s is predicted to increase the force to authorized levels; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that we support the policy of the Total Force and urge the Congress to authorize and fund the National Guard and Reserve Forces to provide sufficient recruiting incentives so as to man units at authorized wartime levels; and, be it further

RESOLVED, That we urge Congress to authorize and fund the Guard and the Reserve so that they may fully accomplish their mission in the event of war.

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RESOLUTION NO.: 495

COMMITTEE : NATIONAL SECURITY

SUBJECT : ARAPAHO PROJECT

WHEREAS, The conflict involving the Falkland Islands prove the value of the ARAPHO program; and

WHEREAS, Deployment of vertical takeoff/landing (V/STOL) fighter attack aircraft by the British Royal Navy aboard a commercial container ship underscores the importance of this emergency·technique in time of crisis; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983 that the current ARAPAHO feasibility testing be quickly and thoroughly expanded to address the tactical and operations applications of ARAPAHO in simulated wartime missions and underway conditions; and, be it further

RESOLVED, That we encourage the U.S. Government to further develop and evaluate similar approaches in particularly the present ARAPAHO project for the use of the U.S. Armd Forces and its allies.

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RESOLUTION NO.: 288

COMMITTEE : NATIONAL SECURITY

SUBJECT : RAPID DEPLOYMENT FORCES

WHEREAS, U.S. strategic mobility forces are currently unable to meet NATO reinforcement objectives or to project credible United States forces to areas where our national interests may be threatened; and

WHEREAS, The Army's prepositioned equipment and war reserve stocks are inadequate for many contingencies; therefore, mobility forces, both air and sea, must be increased to provide flexible power projection; and

WHEREAS, While prepositioning of material configured to unit sets (POMCUS) remains a key part of the strategic mobility picture, critical shortages still exist in this area; and

WHEREAS, The development of two intermediate staging sites in the Persian Gulf region is essential to improve the infrastructure for the Rapid Deployment Joint Task Force because our combat force cannot perform its mission if it is not at the right place, at the right time, with the right material; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that we strongly urge the Congress to authorize and appropriate sufficient funds to provide the U.S. Army strategic mobility improvements.

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RESOLUTION NO.: 439

COMMITTEE : NATIONAL SECURITY

SUBJECT : SUPPORT FOR A STRONG U.S. ARMY RESERVE

WHEREAS, United States Army Reserve units are indispensbly essential to the wartime operation of the U.S. Army; and

WHEREAS, Units of the USAR are predominently of the combat support, combat service support and general support units required to sustain our 24 division army; and

WHEREAS, The USAR provides:
(a) all of Army's training divisions Judge Advocate General detachments and railroad transportation units; and
(b) nearly all of the civil affairs units and most of Army's psychological operations, petroleum and termial service units; and
(c) 62% of the Army's hospital units; and

WHEREAS, The 200,000 plus, strong Rapid Deployment Joint Task Force (RDJTF) depends upon the USAR for a major portion of its transportation, fuel and civil affairs support; and

WHEREAS, In the event of mobilization of the USAR: (1) one-fifth of the Army's reserve units would be committed within 30 days of mobilization; (2) 57% of USAR units are scheduled to deploy between 30 and 60 days after mobilization, and (3) virtually all units would be deployed within 90 days of mobilization, and (4) some mobilization units have deployment times so short that they would move directly to their ports of embarkation upon call to active duty; and

WHEREAS, The need for immediate combat readiness is mandatory, the overall training needs of the Army Reserve are not fully funded; and

WHEREAS, The USAR is understrength and is not projected to reach its authorized strength of 296,582 until Fiscal Year 1988, and

WHEREAS, There is a shortage of trained soldiers in the Individual Ready Reserve with a current strength of 202,000 against the desired level for Fiscal Year 1983 of 458,000; and

WHEREAS, The USAR has on hand only 40% of its required wartime assets, these shortages including 1200 tanks, 2100 five-ton trucks, 210 aircraft and 230 artillery pieces and others; and

WHEREAS, There are 1075 Army Reserve Centers and 181 maintenance facilities owned or leased by the Army Reserve, only 45% of these facilities are considered adequate; and

WHEREAS, Due to changes in national security objectives and the appearance of new equipment, plans call for the activation of more than 400 USAR units over the next five years; and

WHEREAS, The USAR is the Army's Reserves, but in name only; now therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that we go on record as urging that the Congress authorize the necessary funds to:

1. Expeditiously reorganize, man, fully arm, and equip the U.S. Army Reserve;

2. Provide the required support for the large number of new organizations and systems planned for and coming into being; and

3. Ensure that the USAR is ready to deploy to battle instantly in support of the Army.

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RESOLUTION NO.: 440

COMMITTEE : NATIONAL SECURITY

SUBJECT : SUPPORT FOR A STRONG NATIONAL GUARD

WHEREAS, The Army National Guard comprises 46% of the Total Army's combat forces, included: 33% of combat divisions; nearly 50% of the infantry, armor and field artillery battalions; 57% of the armored cavalry regiments, and nearly 30% of the combat support units; and

WHEREAS, The Army National Guard represents approximately 60% of the strength of the Reserve forces; and

WHEREAS, The ARNG is understrength but programmed to achieve its authorized paid strength (417,019) by the end of Fiscal Year 1983, but is not projected to reach its wartime strength until Fiscal Year 1986; and

WHEREAS, Much of the ARNG equipment is not modern, for example: a) some of the ARNG communication equipment will not interface with the newer Army systems; b) the only air defense capabilities of the 8 ARNG divisions is the 30-year old M42A1, "Duster," 40mm gun, which is frequently supported through cannibalization; and c) test, diagnostic and maintenance equipment in the ARNG maintenance units is mostly for older systems and cannot support new equipment; and d) older communication equipment is still standing in for modern items and much of it is not compatible with the newer equipment of the Army and Air Force; and

WHEREAS, In addition to age and obsolescent, shortages of equipment is one of the ARNG's major problems, amounting to a $4 billion shortfall price tag; and

WHEREAS, The Regular Army cannot function effectively in wartime without augmentation from the ARNG; and

WHEREAS, The ARNG will continue to expand the program that adds ARNG roundout units to active Army Divisions; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that we urge the Congress to authorize the necessary funds for the ARNG to reorganize, rearm and rully equip its units in consequence with the Regular Army, with the same priority to its roundout units as the Regular Army; and, be it further

RESOLVED, That the necessary funds be provided to expedite bringing the ARNG to full wartime strength as soon as possible.

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RESOLUTION NO.: 374

COMMITTEE : NATIONAL SECURITY

SUBJECT : P-3C ANTI-SUBMARINE WARFARE (ASW) AIRCRAFT

WHEREAS, the procurement of new P-3C Anti-Submarine Warfare (ASW) aircraft for naval reserve will maintain the desired level of cost-effective Reserve contribution to the Maritime Patrol; and

WHEREAS, It will commence Reserve equipment modernization which is essential for long-term mission effectiveness; and

WHEREAS, It will provide necessary training for Reserve flight crew and maintenance personnel who mobilize to active P-3C squadrons; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that we recommend the procurement of three new P-3C aircraft (a detachment) for the Naval Reserve in FY 84 with additional procurement in FY 85 and FY 86.

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RESOLUTION NO.: 486

COMMITTEE : NATIONAL SECURITY

SUBJECT : CHEMICAL WARFARE DEFENSE

WHEREAS, Soviet Military doctrine envisages the use of chemical weapons, and acknowledges their value, particularly when used in massive quantities and in surprise attacks, they also possess a wide variety of lethal and incapacitating chemical agents and the means to deliver them.

WHEREAS, The Soviet Union has invested heavily in individual and collective protection and and decontamination equipment, and trains with actual chemical agents; and

WHEREAS, In contrast with the Soviet Union during most of the 1970s, the U.S. allowed its retaliatory capability to decline and has done little to improve defense against the use of chemicals in wartime; and

WHEREAS, The ultimate goal in the area of chemical warfare is a complete and verifiable ban on the development, production and stockpiling of chemical weapons, until such a ban can be obtained, the U.S. objective should be consistent with existing treaties and international law, to deter the use of chemical weapons; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that we call upon the Congress to authorize and appropriate monies for chemical warfare defense, to embark on a realistic research, development and acquisition program to deter the Soviet Union's use of chemical weapons; and,

RESOLVED, That we believe this program, which has at its core the production of binary munitions, will improve our chemical defensive ability while providing an incentive for meaningful arms control efforts.

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RESOLUTION NO.: 487

COMMITTEE : NATIONAL SECURITY

SUBJECT : MILITARY COMMISSARY OPERATIONS

WHEREAS, The President's Private Sector Survey on Cost Control has recommended that the Department of Defense should terminate the operation of the commissaries in the continental United States except in areas where adequate commercial food stores are not available; and

WHEREAS, The continued need for the military commissary system has been reaffirmed by eminent study groups on numerous occasions; and

WHEREAS, The DOD Third Quadrennial Review of Military Compensation (1976) indicated that the value perceived by the service member substantially outweigh the government costs; therefore, commissaries provide psychic income that far exceeds the costs; and

WHEREAS, The Joint Chiefs of Staff on January 13, 1983 recommended that the President resist any attempt to alter military retirement to include benefits; and

WHEREAS, Reduced commissary support would undermine the morale of over 951,000 married careerists which is a key element of military preparedness; it would be devastating to (1) junior enlisted families; (2) the widows, and (3) the 100% service-connected disabled veterans eligible for commissary patronage; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Seattle, Washington, August 23, 24, 25, 1983, that we strongly support retention of the military commissary system and urge the Administration and Congress to provide necessary authorization and funding to allow the system to be preserved as an institutional support for our active duty military, military retirees, 100% service-connected disabled veterans, and widows authorized commissary privileges.

PREPARED STATEMENT OF

NEW ENGLAND ANTI-VIVISECTION SOCIETY

The New England Anti-vivisection Society is concerned about the use of Federal funds for unnecessary use of animals for research and training at the Uniformed Services University of the Health Sciences and other military facilities. The construction, maintenance, and operation of the "Wound Laboratories" is inhumane, unnecessary, and inappropriate.

During the last session of this Congress, the Defense Appropriations bill included a provision to prohibit the use of dogs and cats for training medical students in the Wound Laboratories. That prohibition was a progressive step, but what is needed is a complete prohibition on the use of any animals for training or research in the Wound Laboratories.

The training component for the Wound Laboratory at USUHS is to train fourth year medical students. Each animal is to be clipped, anesthetized, suspended in a sling, shot by a high velocity weapon, and then taken to a laboratory where four students under an instructor's supervision examine and treat the wound before killing the animal.

After plans for this program were reported by nationwide media last summer, over 900 physicians--including former combat physicians--signed a petition opposing the program. Many of these doctors pointed out that training in Emergency Rooms or in Shock and Trauma Centers is a readily available alternative that is not only more humane, but more useful for medical students. Using this alternative of training in Emergency Rooms and Shock and Trauma Centers is a better way to train medical students and other medical personnel.

The research component for the Wound Laboratory at USUHS is for resident researchers to experiment on ways to treat wounds made by high velocity weapons. The obvious alternative to shooting animals for this purpose is to use the wealth of data available through clinical studies. The Wound Laboratory could also be used for ballistics studies, but there is well-documented evidence that using soap blocks is preferable to using animals for this purpose.

In every case, for both training and research, alternatives to shooting animals are available, and the alternatives provide a more effective way of accomplishing the purpose of the project. It is completely unnecessary--and therefore simply cruel--to use animals in the Wound Laboratories. It is inhumane, it wastes tax money, and it creates appropriate public outrage.

We urge the Committee to prohibit the use of any animals for training or research in the Wound Laboratories at any military facility.

SUBCOMMITTEE RECESS

The subcommittee will stand in recess until 2 p.m. today when it will reconvene to receive testimony on the fiscal year 1984 DOD supplemental from nondepartmental witnesses.

[Whereupon, at 11:45 a.m., Thursday, March 22, the subcommittee was recessed, to reconvene at 2 p.m., the same day.]

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1985

THURSDAY, JUNE 7, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:30 a.m. in room SD-124, Dirksen Senate Office Building, Hon. Ted Stevens, chairman, presiding.

Present: Senator Stevens.

DEPARTMENT OF DEFENSE

ASSISTANT SECRETARY OF DEFENSE (MANPOWER, INSTALLATIONS AND LOGISTICS)

STATEMENT OF MR. ROBERT A. STONE, DEPUTY ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS), OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (MANPOWER, INSTALLATIONS AND LOGISTICS)

ENVIRONMENTAL CLEANUP PROGRAMS

BUDGET REQUEST

Senator **STEVENS**. Good morning. We are here today to receive testimony on the Department of Defense budget request for environmental cleanup programs.

In fiscal year 1983, the funding level for this work was less than $30 million. The January budget includes over $313 million for this purpose. This represents a clear DOD commitment to eliminate environmental hazards which originate from defense activities.

The pending budget request will cover over 200 projects across the country at active military installations and about 30 projects at sites formerly used by the Defense Department.

Last year this committee recommended the program be modified to fund projects at sites formerly used by DOD on literally hundreds of acres of public and private land. The scope and size of these projects range from the cleanup of highly toxic and hazardous chemical waste dumps to the removal of debris abandoned years ago.

Projects which require facilities for containment of hazardous material are funded through military construction appropriations.

INTRODUCTION OF WITNESSES

Our witnesses today are Robert Stone, Deputy Assistant Secretary of Defense, the Assistant EPA Administrator, Josephine

Cooper, and Col. Peter Daley, the project manager for the DOD environmental program.

Mr. Stone, Ms. Cooper, your statements will be printed in full for the record. Please proceed with a highlight of your statements after identifying any other witnesses who might be appearing with you.

We thank you all for appearing today.

Mr. Stone.

FUNDING FOR CLEANUP PROGRAMS

Mr. STONE. Mr. Chairman, before I start, I would like to say that the Defense Department is in complete agreement that we ought to set an example for the Nation in terms of compliance with good environmental practice and with the laws and regulations of the Federal Government.

Largely through your efforts last year the Congress appropriated $150 million for an expanded defense environmental restoration program. We are putting this money to very good use and we are asking a 60-percent increase in 1985 to a total of $234 million.

This is a reduction below the original President's budget request. We have reluctantly reduced that program to $234 million as part of the agreement to reduce the budget deficit. It still represents an increase of about 56 percent over the amount appropriated in 1984 and we believe that is a constructive and responsible program.

I might add that both the House and Senate Armed Services Committees reduced that well below our request, by about $40 million below the revised request. This represents a significant delay for us in doing what we think has to be done.

INSTALLATION RESTORATION PROGRAM

About 60 percent of our budget is going to identify and correct problems with past waste disposal sites on our bases. We call this our Installation Restoration Program, our counterpart to Superfund.

We are working closely with EPA to ensure that our Installation Restoration Program is consistent with their approach.

EPA is presently evaluating a number of our bases for possible inclusion on the Superfund national priorities list. We expect that about 40 to 50 DOD sites will be placed on this national priorities list.

Four years ago we established a goal to complete surveys of all potential sites by 1985. We are now 80 percent of the way toward that goal.

We have established another goal recently in Defense to complete by 1993 all construction required for cleanup.

REMOVAL OF UNSAFE, UNSIGHTLY DEFENSE BUILDINGS

The second element of the Environmental Restoration Program was added through the initiative of this committee last year. It includes removal of unsafe, unsightly dangerous buildings and structures and other debris from inactive installations and from land that DOD formerly used.

The appropriation will help us clean up a wide variety of former sites.

There are also numerous small military outposts in Alaska that were abandoned in the 1940's and 1950's. At some of these sites PCB-filled transformers have leaked. Unexploded shells and bombs present a danger to people. In 1984, $5 million is being spent to remove hazardous waste and debris at 28 abandoned White Alice community sites.

HAZARDOUS WASTE DISPOSAL

The third element of our program is hazardous waste disposal. This is aimed at environmentally safe transportation, storage, treatment and dispoal of hazardous wastes generated by our activities.

Our top priority concern must be to avoid mishandling on our part and on the part of our contractors. Even a small mishap can cause millions of dollars to clean up. We have taken several steps recently to increase our confidence in this area.

We expanded the Logistics Agency work force so that they can do a better job of monitoring hazardous waste contractors. We added 43 personnel slots and 3 surveillance contracts.

We are doing a broad systematic analysis of safety in our hazardous waste disposal operations and we are setting up a hazardous waste contract information center that can be used by all Federal agencies.

We have accelerated our hazardous waste disposal operations to reduce the risk of hazard from container degradation during storage. We think this will save millions of dollars that would otherwise be needed to build storage facilities.

LONG PROGRAM MANAGEMENT

A final element will be improving our long program management. We are investing $5 million to reduce the amount of waste we are generating on our bases. We have set a goal for ourselves to be recycling all solvents by 1986. This work will pay for itself many times over.

We are also funding research and development to find safer and more effective ways to clear lands of unexploded ordnance. We need better technology and with the Environmental Restoration Program we have begun to develop it.

Last summer my boss, Assistant Secretary Korb, established to 2-year program called environmental leadership project. This is our effort to ensure that Defense stays an example to the Nation.

That team is fully staffed and working now to deal with some tough issues, problems like ground water protection, solvent recovery and hazardous waste treatment. We are already getting a big payoff form this program, and I expect a lot more will result.

Funds from the restoration account will make sure we are not disappointed.

DOD RELATIONS WITH EPA

Before closing I would like to say a couple things about our relations with the Environmental Protection Agency. Our relations are those of partners, not adversaries. They have never been better nor more productive.

EPA has a full-time liaison officer to my environmental staff. He is a member of the Senior Executive Service, and we have a full-time person working with EPA.

Last August EPA Assistant Administrator, Lee Thomas, and Assistant Secretary Korb signed a Memorandum of Understanding on Superfund that defines who is responsible for cleanup of hazardous waste sites.

EPA oversees our environmental programs. They review our pollution abatement projects, requirements list, and certify as to their accuracy.

We provide EPA with regular status reports on our installation restoration program with all of our environmental restoration sites study reports.

EPA is participating in several of the studies funded through our program.

To conclude, I would like to thank this committee for its support and, in particular, to thank you, Mr. Chairman, for your leadership in ensuring that there have been adequate funds available for the defense environmental program.

Senator STEVENS. Thank you very much, Mr. Stone.

I am certain everyone in the Congress will be very pleased to know about this leadership program.

I congratulate you for the commitment that you have made on the part of the Department to be very active in this area and to move forward aggressively.

[The prepared statement of Mr. Stone is as follows:]

PREPARED STATEMENT OF ROBERT A. STONE

DEPUTY ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS)

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

(MANPOWER, INSTALLATIONS AND LOGISTICS)

STATEMENT OF DASD/I(MI&L)

INTRODUCTION

Good morning, Mr. Chairman and members of the Committee. It is an honor and a pleasure to appear before you to review the progress the Department of Defense (DoD) has made in our environmental protection programs in the last three years. I am accompanied today by Peter Daley, Director of Environmental Policy for the Department.

In my testimony this morning, I will place the total DoD environmental program in perspective, and then focus on a new program, the Defense Environmental Restoration Program, which was established in Fiscal Year 1984, with the help of this Committee.

DEFENSE ENVIRONMENTAL PROGRAM SCOPE

The Department of Defense's environmental program includes three principal areas: pollution abatement, natural resources management, and pest management. The pollution abatement area focuses on compliance with all federal environmental laws and regulations as well as on waste stream reduction. To place DoD's pollution abatement activities in perspective, during the past decade we have spent about $1.5 billion on water and air pollution abatement. Our goal is 100% compliance as soon as possible.

We manage 24 million acres of land for many compatible uses. Our goal is to conserve and protect these lands while simultaneously obtaining maximum economic use of the lands for the taxpayer. All installations have natural resources management plans which integrate complementary land uses compatible with our military mission. During the past two years, we have increased policy guidance and program monitoring aimed at prolonging and diversifying our use of public lands. We are good neighbors. However, we request no specific appropriation to accomplish these goals. Instead, we finance our needs from sales of forest products, hunting and fishing fees, and agricultural outleases. In Fiscal Year 1983, from sales of forest products alone, we distributed $1.9 million to host states and deposited $2.8 million in the Treasury. We collected $15 million in cash and services from agriculture outleases, and about $1.5 million in outdoor recreation user fees. All of these proceeds are spent in maintaining and improving natural resources management on DoD lands. We coordinate our natural resources plans with appropriate federal and state agencies.

The Pest Management Program protects DoD personnel from disease and our property from damage. We apply the best available scientific technology to the challenge of monitoring disease vectors all over the world, and protecting about $350 billion worth of facilities and stored products from pest damage. We are leaders in this area. Our Armed Forces Pest Management Board and Aerial Spray Flight are high-value national resources. Board meetings are regularly attended by Department of Agriculture, Environmental Protection Agency (EPA), and Department of Health and Human Services people. The work of the Pest Management Board and Defense health professionals is responsible for our leading position in the assessment and control of indoor air pollution problems due to the termiticide, chlordane, and other pesticides.

DEFENSE ENVIRONMENTAL RESTORATION PROGRAM

Let me now turn to the Defense Environmental Restoration program, which is a 1984 expansion of the environmental cleanup program we began in 1975. Through the efforts of this Committee, Congress appropriated $150 million for the program in 1984. This boosted our 1983 environmental cleanup and hazardous waste management programs by 400% and allowed us not only to accelerate our work but also to add two new elements: formerly-used site cleanup, and a research and study component. The language of the Fiscal Year 1984 Appropriations Act expedited our program significantly by giving us a first clear charter to conduct work on formerly-used lands.

In the six months since the Act was passed, we have completely reviewed our requirements for environmental cleanup. As a result we have requested a substantial increase in the Fiscal Year 1985 budget to accelerate further the program and follow up the formerly-used site initiative begun this year.

Let me now review the program's four elements and our plans to carry out the work they encompass. Figure 1 shows how we are spending the $150 million appropriation in Fiscal Year 1984.

A. Installation Restoration

The first of the four elements is the Installation Restoration Program. This is the Department's program to identify and correct problems with past improper hazardous waste disposal sites on our own bases. It is the DoD counterpart to the national Superfund program.

Under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), commonly known as "Superfund," federal agencies are not eligible to spend Superfund dollars on their own problems. We have been funding cleanups from our operations and maintenance appropriations. In Fiscal Year 1983, we spent $23 million in investigations, engineering studies, and cleanups or other remedial actions. In Fiscal Year 1984, under the augmented Environmental Restoration appropriation, we will be spending $86 million.

The Cornhusker Army Ammunition Plant in Nebraska is a good example of how we operate in this area. The Army completed a comprehensive records search and groundwater monitoring at the Plant. Small concentrations of waste chemicals were discovered in drinking water wells in a suburb of nearby Grand Island, Nebraska. The Army notified federal, state and local health authorities, and offered bottled water supplies to about 85 families. All this was accomplished within a few weeks after we identified the contamination problem. The Army is now developing a permanent solution. This is a good example of how we're using restoration funds to solve quickly contamination problems.

We are working closely with EPA to assure our Installation Restoration Program is consistent with their approach in Superfund. EPA is presently evaluating a number of our bases for possible inclusion on the Superfund National Priorities List (NPL). Putting DoD sites on the list will not make us eligible for Superfund monies, but it will place our sites in national perspective. On the basis of what we know now, probably 40 to 50 DoD sites will eventually be placed on the NPL. We believe that as many as 400 sites on 200 DoD installations may eventually require some form of remedial action. This compares with a recent EPA estimate that there may be over 17,000 potential sites nationwide requiring investigation and/or remedial action. In 1980, before Superfund was passed, we established a goal to complete surveys of all potential sites by the end of Fiscal Year 1985. We are over 80% of the way toward achieving that goal and we have the contracts in place to assure we make it.

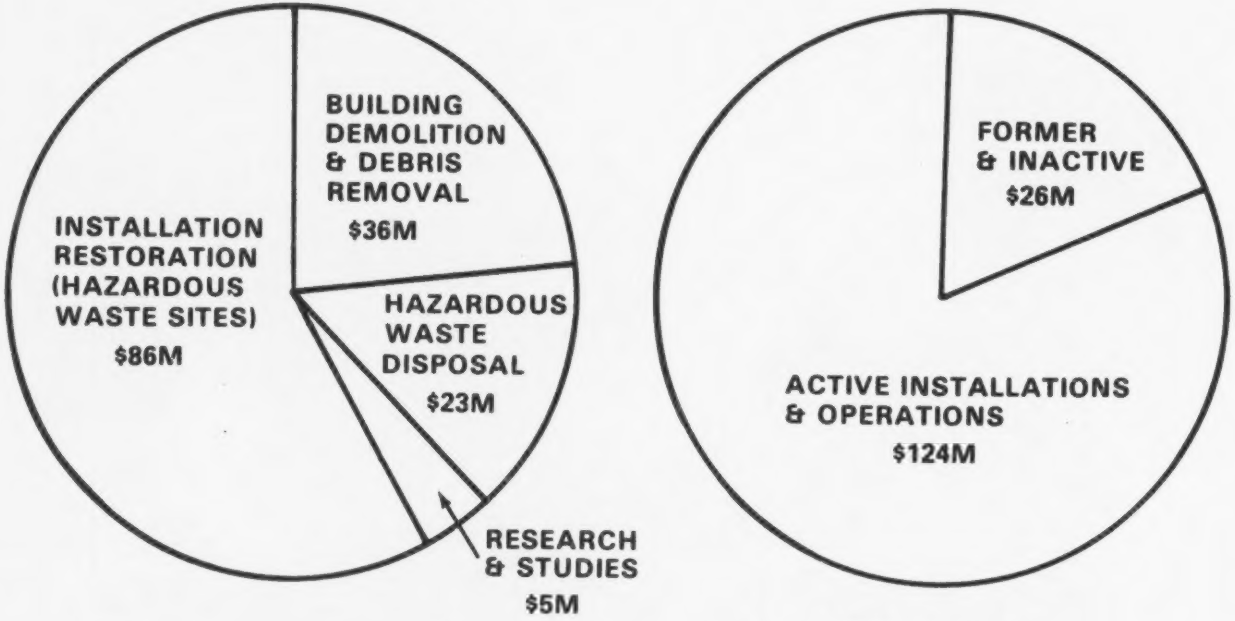
Our goal is to have all construction required for cleanups completed by 1993. This is ambitious since some complex problems don't present obvious solutions. By taking the worst cases first, and with continued Congressional support, we will make it.

About two-thirds of the Fiscal Year 1985 Environmental Restoration Program request would be spent for Installation Restoration. While this is a large percentage, we believe it is appropriate to assure continued progress in addressing a priority issue in the national interest.

B. Building Demolition and Debris Removal

Figure 1

FY 1984 DEFENSE ENVIRONMENTAL RESTORATION



FUNCTIONAL DISTRIBUTION

FORMER/ACTIVE DISTRIBUTION

The second element of the Environmental Restoration Program is almost entirely new and was added through the initiative of this Committee in the 1984 Defense Appropriations Act. It includes removal of unsafe, unsightly, and dangerous buildings and structures, and other debris from active installations, inactive installations, and lands which were formerly used by DoD. While we have been working for over five years to clean up a few selected inactive sites, we had no comprehensive plan to identify and eliminate problems. This was partly because of lack of authority to spend money on lands which we do not control.

The appropriation will help us clean up a wide variety of former sites. For example, at the West Virginia Ordnance Works, now a state wildlife refuge (McClintic Wildlife Area), we will be removing chemical contamination. The State of West Virginia has listed this site as their top priority site on the Superfund National Priorities List. Another example is quick action taken by the Air Force in cooperation with EPA to respond to groundwater contamination apparently caused by past Air Force actions at the former Olmsted Air Force Base, Pennsylvania. The Air Force is using the appropriation to fund monitoring studies and a permanent alternate water supply to 12 residences whose wells have been affected.

There are numerous small military outposts in Alaska abandoned at the end of World War II and in the 1950s. Many of these sites are hazardous, unsafe, and unsightly. There are leaking tanks, drums, and barrels of oil and other chemicals at these sites. Some sites have PCB-filled transformers which have leaked or have been vandalized. In other places, unexploded shells and bombs present a danger to people who may be unaware of the hazards involved. One example serves to illustrate this problem. In the mid-1970s, the Air Force abandoned 28 White Alice communication sites. Starting in 1981, the Alaskan Air Command conducted partial cleanup at 19 of these sites. In the Fiscal Year 1984 program, $5 million is being spent to complete hazardous waste and debris at the White Alice sites. Building removal is programmed for the future.

We have assigned the Army Corps of Engineers to manage the formerly-used sites program because of their recognized expertise and ability to manage complex construction projects, and their presence in every state. Appendix A lists nine sites in Alaska which the Corps of Engineers is working on in Fiscal Year 1984. These were selected on the basis of clear DoD responsibility and their feasibility for correction.

In order to deal with formerly-used sites comprehensively and fairly, we have solicited nominations of candidate sites from each state governor through the National Governors' Association, from EPA, and other federal agencies. The Department of the Interior (DoI) has been especially helpful. Over 100 DoI sites are now being studied by the Corps. We anticipated the formerly-used site restoration work will continue for several more years.

C. Hazardous Waste Disposal

The third element of the program is hazardous waste disposal. This is aimed at the environmentally safe transportation, storage, treatment, and disposal of hazardous wastes which are currently being generated by DoD activities. We are investing in things that will assure safe handling of hazardous materials. It is clear that our top priority concern must be to avoid mishandling. Even an apparently small accident can cost a million dollars to clean up. For example, at Fort Lewis, Washington, last November, an unknown person dumped a few hundred gallons of PCBs on our land resulting in the contamination of 1,850 tons of soil. We cleaned up the mess in eight days, but it cost us nearly half a million dollars.

Under the federal Resources Conservation and Recovery Act, DoD must assure that our operations and contracts for treatment or disposal conform to the new, tighter hazardous waste regulations.

We have taken two significant steps to improve our level of confidence that this is done. First, DoD assigned to the Defense Logistics Agency (DLA) the world-wide disposal mission for DoD hazardous waste. This insures a high level of centralized expertise and consistent, uniform execution of our policies. Second, using Environmental Restoration funds, we have streamlined our contract procedures and focused contract administration on compliance. While no system can guarantee perfection, we are increasing contractor surveillance and are working with other law enforcement and criminal investigative agencies, including EPA's National Enforcement Investigations Center (NEIC), Denver, Colorado, to detect abuses. NEIC reviews all of DLA's hazardous waste disposal contracts and selectively checks contractor performance. For example, in April 1984, a DLA hazardous waste contractor, Chess Hester Trucking Company, Russellville, Alabama, was indicted by a federal grand jury for making false claims to the government in connection with a hazardous waste disposal contract. The Defense Criminal Investigative Service (the investigative arm of the DoD Inspector General) has made deterrence of improper hazardous waste disposal a high priority enforcement item.

The Defense Environmental Restoration appropriation in Fiscal Year 1984 includes $23 million for hazardous waste disposal. Most of this goes directly to DLA for disposal of waste generated by the military services.

In Fiscal Year 1985, we expect to spend about $29 million for this area. We need this amount to do the job effectively and to assure ourselves that it is being done right.

D. Research and Studies

The fourth and final element encompasses a number of initiatives to improve our long-range program management and reduce the probability that we will need to clean up sites as a result of today's activities. It is the smallest element, accounting for less than two percent of the appropriation in Fiscal Year 1984. But the potential pay-off is huge. We are investing about $5 million into finding ways to reduce the amount of hazardous wastes that we are generating on our military bases. This work can easily pay for itself many times over. We will save money by avoiding a disposal bill and by re-using materials such as solvents. We plan to achieve total solvent recycle by 1986. This will reduce the total DoD waste stream by about one-fourth. The biggest pay-off will be in minimizing our future potential liability associated with hazardous waste handling and, inevitably, mishandling. If we don't generate it, we won't mishandle it, dispose of it or pay to clean it up 20 years from now. We also won't be subject to the unknown future costs associated with damages people may suffer when exposed to hazardous wastes in the environment.

Second, we are funding research and development to find safer, cheaper, and more effective ways to clear lands of unexploded ordnance. The Department of the Interior has already identified over 4 million acres of their land which are contaminated with unexploded DoD ordnance. We have almost as much on our own rolls and could sell it if we could decontaminate it cost-effectively. We need to develop better technology, and with the Environmental Restoration Program, we have begun to do so. This last point is important because we are sharing technology for remote detection of buried materials with EPA. While we are primarily interested in finding buried shells and bombs, EPA needs to develop better techniques for locating buried drums.

To summarize our Environmental Restoration Program activities in Fiscal Year 1984, we are spending $150 million at 93 active installations, and at 41 formerly-used and inactive sites. The list of former and inactive sites is attached as Appendix A. Although not all of the specific formerly-used sites to be cleaned up in Fiscal Year 1985 have been determined, the process and rationale for evaluating them has been established by the Army Corps of Engineers, and they are working on it now.

The President's Fiscal Year 1985 original request to continue and expand the program was for $313.8 million. However, as part of the President's deficit reduction proposal, we have reluctantly agreed to reduce this amount to $234 million, along with other substantial defense program reductions. The reduced amount, nonetheless, is nearly 60% greater than our Fiscal Year 1984 program.

DEFENSE ENVIRONMENTAL LEADERSHIP PROJECT

I will turn now to three areas which contribute decisively to my confidence that DoD is meeting the new challenges of hazardous waste cleanup and environmental protection. Last summer, I established a two-year top-level project I call the Defense Environmental Leadership Project. We have formed a team of top environmental professionals with significant military experience to think through the best and most effective solutions to the major environmental problems facing DoD. That team is fully staffed and are working now to deal with some tough issues -- problems like groundwater protection, solvent recovery, regional hazardous waste treatment, hazardous waste storage construction criteria, environmental audits, and low-level radioactive waste disposal. I expect significant pay-off from the Leadership Project, and I look forward to their recommendations. They have already completed, with EPA cooperation, comprehensive design criteria for hazardous waste storage facilities. These should help both us and EPA speed construction at the 174 new facilities we need.

DEPARTMENT OF DEFENSE-ENVIRONMENTAL PROTECTION AGENCY RELATIONS

During the past year, the communications between DoD and EPA have improved greatly. EPA has assigned a full-time liaison officer to my personal environmental staff. He is an experienced Senior Executive Service environmental professional, and he has been an enormous help to us. This complements our assignment of a liaison officer to EPA over 10 years ago.

Last August, Lee Thomas (Assistant EPA Administrator for Solid Waste and Emergency Response) and I signed a Memorandum of Understanding on CERCLA (attached as Appendix B). In December, our agencies signed an agreement establishing timetables for PCB disposal. This was needed because contracts for disposal had become backlogged. They are now on schedule.

Finally, EPA maintains oversight of DoD's environmental protection programs. EPA reviews our pollution abatement project requirements list and certifies their adequacy. We regularly provide EPA and interested parties a base-by-base status report on our Installation Restoration program. We share with EPA the technical details of our remedial action plans. We welcome EPA's oversight. We are committed to doing the cleanup job right, and EPA oversight is helping us fulfill that commitment.

In sum, DoD and EPA are cooperating to speed national environmental cleanup. I believe we should lead the effort together, and we will continue to work to assure we achieve compliance in the letter and the spirit of the law.

CONCLUSION

In conclusion, the Department of Defense has taken on a responsible leadership role in environmental matters. We are interested in finding and applying innovative technical and administrative solutions to environmental problems. Our substantial environmental program increases, augmented by the funds in the Defense Environmental Restoration Program appropriation, demonstrates our commitment.

We believe that the Congress has acted wisely to establish the Defense Environmental Restoration Program. We in DoD are pleased to play a leading role in the national effort; we are proud of what we have done already; and we enthusiastically accept the challenge to do more. We believe the benefits of DoD participction go far beyond providing places where our people can live and work more productively but will benefit the quality of life for our neighbors and the whole nation.

I wish to thank the Committee for its support, and in particular to thank Chairman Stevens for his outstanding leadership in setting up the Defense Environmental Restoration Program. I would be pleased to answer any questions you or other Members of the Committee may have.

Defense Environmental Restoration Program
Formerly-Used and Inactive Sites
1974

1. West Virginia Ordnance Site, West Virginia
2. Olmsted Air Force Base, Pennsylvania
3. Suffolk County Airport, New York
4. Bedford Air Force Station, Virginia
5. Lewiston Air Force Station, Montana
6. White Alice Sites, Alaska
7. Atka Island, Alaska
8. Cold Bay, Alaska
9. Kodiak Island, Alaska
10. Lake Louise, Alaska
11. Port Clarence, Alaska
12. Prudhoe Bay, Alaska
13. Rohn River, Alaska
14. Tawah Creek, Alaska
15. Unalaska, Alaska

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE DEPARTMENT OF DEFENSE
AND
THE ENVIRONMENTAL PROTECTION AGENCY
FOR THE
IMPLEMENTATION OF P.L. 96-510
THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION, AND LIABILITY ACT OF 1980 (CERCLA)

1. PURPOSE

The Department of Defense (DOD) and the Environmental Protection Agency (EPA) are entering into this agreement to clarify each Agency's responsibilities and commitments for conducting and financing response actions authorized by the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) and specifically delegated by Executive Order 12316.

This agreement does not redelegate any responsibilities set out in Executive Order 12316. Rather, it clarifies respective operational roles, responsibilities, and procedures, consistent with the applicable provisions of Executive Order 12316 and Executive Order 12088. This agreement does not create any substantive or procedural rights in other parties, does not affect enforcement rights and remedies with regard to any party, and is intended only for Federal administrative purposes of EPA and DOD.

These responsibilities and procedures are guided by the following:

- DOD facilities are defined as government-owned, government-operated facilities controlled by DOD; and government-owned land controlled by DOD that is either contractor-operated or leased to other parties.
- DOD is generally responsible for financing actions taken in response to releases from DOD facilities, or assuring that another party finances such actions.
- DOD and EPA will conduct response actions consistent with response procedures established by the National Oil and Hazardous Substances Pollution Contingency Plan (NCP).
- At DOD's request and in its discretion, EPA will provide DOD with technical assistance to support the response actions conducted by DOD.
- Civil works activities of the Department of Army Corps of Engineers are not subject to the terms of this agreement.

DOD will consult with EPA concerning the best techniques and methods available for the prevention, control, and abatement of environmental pollution.

2. BASIS OF AGREEMENT

CERCLA provides a comprehensive framework for response to the release or potential release of hazardous substances, pollutants, and contaminants.

Section 104 of CERCLA and Executive Order 12316 place authority for responding to releases from DOD facilities with the Secretary of Defense. These response actions must be conducted in accordance with the NCP as amended by EPA under section 105 of CERCLA.

3. RESPONSIBILITIES AND RESPONSE PROCEDURES

For purposes of this agreement, releases of hazardous substances are divided into three categories:

- Releases from current DOD facilities;
- Releases from former DOD facilities; and
- Other releases for which DOD is a responsible party.

For each category, section 3 describes procedures to be followed by DOD and EPA in determining which Agency will conduct and/or finance the response action consistent with CERCLA, the requirements of Executive Order 12316, and the NCP. At DOD's request and in its discretion, EPA will provide technical assistance or serve in an advisory role when DOD conducts a response.

3.1 Releases from Current DOD Facilities

a. Current DOD facilities with on-facility contamination and no off-facility contamination

When there is contamination on a current DOD facility and no off-facility contamination, DOD will conduct and finance the response action or assure that another party does so. At DOD's request, EPA will provide technical assistance or serve in an advisory role. This section does not apply to releases for which DOD is not a responsible party under section 107(b) of CERCLA (e.g., "midnight dumping").

b. Current DOD facilities with off-facility contamination

When there is off-facility contamination and clear evidence that a current DOD facility is the sole source, DOD will conduct and finance the response action or assure that another party does so. At DOD's request, EPA will provide technical assistance to DOD or serve in an advisory role.

When there is off-facility contamination and no clear evidence that a DOD facility is the sole source, EPA will finance and conduct investigations and studies off-facility to determine the source and extent of the contamination and recommended response action. DOD will finance and conduct investigations and studies on the DOD facility to determine the source and extent of the contamination and the recommended response action. DOD and EPA will coordinate these efforts and resulting decisions to minimize costs and duplication of activities, and will exchange all reports, studies, and other relevant site information.

If, after DOD and EPA review these investigations, it is determined that the current DOD facility is the sole source of the contamination, DOD will conduct and finance the response action or assure that another party does so and will reimburse EPA for costs EPA expended at the site.

If, after DOD and EPA review these investigations, it is determined that the current DOD facility is one of two or more sources of the contamination, EPA and DOD will jointly determine the most appropriate response and financing methods.

3.2 Releases From Former DOD Facilities

a. Releases from former DOD Facilities, when DOD is the sole responsible party

If EPA, in consultation with DOD, determines that a former DOD facility is the sole source of the contamination, DOD will finance any response action, including off-facility response actions, or will assure that another party does so. If EPA agrees, DOD may choose to conduct the response action. If EPA conducts the response action, DOD will reimburse the Hazardous Substance Response Trust Fund (Fund) for the action. EPA concurrence is required before DOD conducts a response action.

In cases where DOD disagrees with the determination of responsibility, proposed action, or its cost, DOD may use the dispute resolution section of this agreement.

b. Releases from former DOD facilities, when DOD is one of two or more responsible parties.

If EPA, in consultation with DOD, determines that DOD is one of two or more parties responsible for the contamination, EPA will conduct and finance the response action and EPA, in consultation with DOD, will determine the appropriate response costs. DOD will reimburse EPA that amount.

If EPA agrees, DOD may choose to conduct the response action. If EPA conducts the response action, DOD will reimburse the Fund for the action. EPA concurrence is required before DOD conducts a response action.

In cases where DOD disagrees with the determination of responsiblility, proposed action, or its cost, DOD may use the dispute resolution section of this agreement.

3.3 Other Releases for Which DOD is a Responsible Party

When there is a release for which DOD is a responsible party, and which does not involve a current or former DOD facility, EPA will investigate the need for a response action, and the extent of responsibility of different parties for the release, including DOD's responsibility. EPA, in consultation with DOD, will determine the appropriate response costs and DOD will reimburse EPA that amount. If EPA agrees, DOD may choose to conduct the response action for the portion of the release for which it is responsible. EPA concurrence is required before DOD conducts a response action.

For releases from DOD vessels, including vessels owned or bareboat chartered and operated, DOD and EPA will jointly determine the most appropriate response.

In cases where DOD disagrees with the determination of responsibility, proposed action, or its cost, DOD may use the dispute resolution section of this agreement.

4. FUNDING OF RESPONSE

DOD will request sufficient funds in its budget to pay for response actions programmed by the Department under this agreement. DOD will ensure that projects in this budget program are listed in the same manner as other environmental projects under OMB Circular A-106.

When EPA undertakes a response for which DOD is responsible under CERCLA, DOD will reimburse the Fund for its share. Where funds are not immediately available for reimbursement, DOD's next fiscal year budget request will include a request for Fund reimbursement. Provisions of this agreement for payment by DOD shall not be construed as affecting the particular source of appropriations for payment by the government, including special appropriations or 31 U.S.C. 724a.

Any commitment of funds is subject to the availability of appropriations.

Each Agency will maintain records of all costs incurred which may involve payments to or from the Fund and will provide documentation of these costs at the other Agency's request.

5. COMMUNITY RELATIONS

When EPA undertakes a response action, EPA will be responsible for establishing a community relations program for the site, as specified in the Guidance for Implementing the Superfund Program (Part III, Section 4).

When DOD undertakes a response action, DOD will be responsible for providing information to the local community.

For EPA and DOD actions at the same site, EPA and DOD will conduct a joint community relations program.

6. EXCHANGE OF INFORMATION

DOD and EPA will exchange information on a regular basis. EPA and DOD will inform each other at the earliest possible stage of any evidence of contamination, types of contamination, and potential actions. EPA and DOD will keep each other informed regarding the type and availability of data or information. Such data or information will be made available upon request, subject to Agency technical or peer review. Upon request and following Agency technical or peer review, DOD and EPA will submit drafts of specific technical reports to each other for review. Review comments will be addressed in final reports.

Agency technical or peer review will be expedited when information is requested. All requests for data or information will be responded to within ten working days of the request.

EPA and DOD will notify each other prior to providing the other Agency's information or data to another party. All confidential business information exchanged under this agreement is subject to procedures set forth at 40 CFR Part 2.

This section applies to information related to all releases under section 3 of this agreement, including releases under section 3.1.

7. RESOLUTION OF INTERAGENCY CONFLICTS

Any conflict arising under this agreement will be resolved at successive levels of Agency decisionmaking until agreement is reached. The EPA Regional Administrator and the Commanding Officer of the Defense Component Major Command in question will first attempt to resolve any disputes. Failing resolution, the EPA Assistant Administrator for Solid Waste and Emergency Response and the appropriate Military Department Assistant Secretary will attempt to reach agreement. If this is unsuccessful, the matter will be referred to the EPA Administrator and the Secretary of Defense.

The dispute resolution process is not a substitute for necessary and timely removal actions, and each Agency reserves rights otherwise provided by law to pursue any response or enforcement actions.

8. MULTIPARTY AGREEMENTS

Where appropriate, EPA Regional Offices and DOD installations may enter into agreements with State and local authorities regarding response actions. Such agreements must be consistent with this agreement, except that dispute resolution sections of such agreements may supersede section 7 of this MOU.

9. AMENDMENTS

This agreement may be amended at any time by mutual agreement of EPA and DOD. Amendments will be in writing, and will be signed by appropriate DOD and EPA officials.

10. PERIOD OF AGREEMENT

Unless ended or extended by mutual agreement, this MOU will continue in effect until December 1, 1985. This agreement may be terminated upon notification by either DOD or EPA to the other party. A minimum of ninety days' advance written notice of termination is required.

11. EFFECTIVE DATE

This agreement will become effective upon signature of both parties.

LAWRENCE J. KORB
Assistant Secretary of Defense
(Manpower, Reserve Affairs and
Logistics)

Date: 8/12/83

LEE M. THOMAS
Assistant Administrator
Office of Solid Waste and Emergency
Response

Date: 8/12/83

ENVIRONMENTAL PROTECTION AGENCY

STATEMENT OF MS. JOSEPHINE S. COOPER, ASSISTANT ADMINISTRATOR FOR EXTERNAL AFFAIRS, U.S. ENVIRONMENTAL PROTECTION AGENCY

Senator STEVENS. Ms. Cooper.

Ms. COOPER. Good morning, Mr. Chairman.

It is a pleasure for me to be here this morning to discuss with you the responsibilities that Federal agencies including the Department of Defense [DOD] have to ensure that all necessary actions are taken for the prevention, control, and abatement of environmental pollution with respect to facilities and activities under their control.

I would also like to discuss the responsibilities of the Administrator of the Environmental Protection Agency [EPA] with respect to these matters, and emphasize that:

FEDERAL FACILITIES COMPLIANCE

One. Federal facilities compliance is a high priority and EPA is committed to working aggressively both in providing technical analysis and in inspecting, monitoring, and enforcing compliance; and

Two. DOD and EPA have worked together closely to ensure the abatement of the pollution at DOD facilities.

The executive branch of the Federal Government owns 27,071 installations consisting of 729,820,861 acres of land and 387,396 buildings. It owns 435,000 motor vehicles, over 2,000 major vessels, and over 15,000 large aircraft. It operates nearly a thousand hospitals, hundreds of laboratories and many manufacturing plants and highly technical facilities. With operations on such a large scale, it should come as no surprise that many of these facilities have been sources of pollution in the past and remain potential sources in the future.

The reason I am here is that as the Assistant Administrator for External Affairs, I am National Program Manager for the Federal Facility Compliance Program. In this program we pursue the goal of bringing Federal facilities into compliance with applicable pollution control standards through a series of cooperative efforts which are described in detail in Executive Order 12088, "Federal Compliance with Pollution Control Standards."

RESPONSIBILITIES OF FEDERAL AGENCIES

Each Federal agency: (1), Is responsible for ensuring that facilities under its jurisdiction comply with Federal, State, and local environmental standards, procedural requirements, and schedules for cleanup; (2), must include in its budget request funds needed to bring its facilities into compliance.

We assume and expect that with this type of cooperative process responsible managers within Federal agencies will take all necessary steps to bring their facilities into environmental compliance.

However, there should be no question about EPA's will to take enforcement action, including issuance of administrative orders, if it should become necessary. We are committed to ensuring that Federal agencies comply with all applicable laws and regulations, and we will not hesitate to seek compliance with those laws through administrative procedures under EO 12088 if there is unwarranted delay in initiating remedial actions.

POLLUTION ABATEMENT PROGRAMS

What kind of job is the Federal Government doing in carrying out its pollution abatement programs?

The perception of the public, the media, and many in the Congress is that progress at Federal installations is too little and too slow. Many also believe that Federal officials are not sufficiently sensitive to the pollution generated by their current or past operations or the impact this pollution may have on the people using or living just outside the boundaries of those facilities.

Such general perceptions are difficult to address, but we are now beginning to gather the kind of information that will help us define the extent of pollution from Federal installations. EPA has placed a very high priority on dealing with this problem. Returning Federal facilities to compliance ranks near the top of EPA priorities for fiscal year 1985–86, and we are working to give it the attention it deserves.

POLLUTION AT FEDERAL FACILITIES

What, then, is the extent of pollution at Federal facilities?

Based on a variety of statistics, the portion of this country's pollution problem contributed by Federal facilities is significant. For example:

(1), using the number of air, water and hazardous waste facilities as a measure, Federal agency pollution control facilities made up 2 to 5 percent of the entire number of facilities in the United States; (2), of the 523 major RCRA handlers with class I violations at the beginning of fiscal year 1984, 30 or 5.7 percent were Federal facilities; (3), of the beginning year inventory of 216 significant TSCA violators, 13, or 6 percent, were Federal facilities.

These statistics alone do not permit us to say whether the Federal Government is doing a good or bad job in pollution abatement, but they do provide us with a better idea of the magnitude of the problem, and suggest that Federal compliance with pollution control standards is not significantly different than private sector compliance.

Both EPA and Federal agencies are working on these problems. The agencies are continuing to identify problem areas and to plan and budget abatement projects to correct them. At the present time there is over $2.5 billion committed to pollution abatement projects either under construction or in the 5-year plans of Federal agencies.

EPA has taken a number of actions this year which will assist us to determine more accurately how well Federal agencies are progressing in their pollution abatement programs.

We also intend to provide both additional technical and management assistance to ensure cost-effective and timely compliance with applicable pollution control standards.

DOD HAZARDOUS WASTE PROGRAM

Let me discuss in some detail where the DOD hazardous waste program under CERCLA and RCRA stands as far as EPA is concerned.

I will focus first on the RCRA program. The requirements in RCRA and Executive Order 12088 are generally applicable to Federal facilities as they are to other non-Federal facilities. RCRA does allow the President to exempt Federal facilities from these requirements, or State hazardous waste requirements, when he determines that "it is in the paramount interest of the United States to do so." At this time, however, no such exemptions have been granted.

With respect to compliance, EPA policy guidance specifies that Federal facilities are to be inspected or monitored in the same manner and with the same frequency as non-Federal facilities. Starting in fiscal year 1984, the Agency's inspection strategy will provide for annual inspections of 100 percent of all major facilities and 25 percent of all nonmajor facilities.

These inspection activities demonstrate EPA's interest and involvement with Federal facilities.

INSPECTION AT FEDERAL FACILITIES

In fiscal year 1983, EPA and the States conducted a total of 164 inspections under RCRA at Federal facilities. Following these inspections, EPA took 55 administrative enforcement actions to ensure compliance.

If a facility is notified by EPA or a State that it is out of compliance, EO 12088 requires the facility to consult with the notifying agency and provide a plan for achieving compliance. The plan must include an implementation schedule for coming into compliance as soon as practicable, and, if necessary, a negotiated Federal facilities compliance agreement. We are working with DOD to bring some 30 facilities into compliance by the end of September 1984.

In January 1984 we published our policy on resolving compliance issues with other Federal agencies. It is contained in our "Yellow Book" entitled "Resolution of Compliance Problems at Federal Facilities," which I would like to submit for the record.

Remedies for compliance problems at Federal facilities are pursued just as vigorously as similar remedies at non-Federal facilities. Only the means for achieving them are different.

For Federal facilities, an administrative approach centering around negotiation of a Federal facilities compliance agreement is used rather than the enforcement/litigation approach. Should this fail, statutory administrative orders may be appropriate during dispute resolution. Compliance with administrative orders will be sought through the EO 12088 or EO 12146 process.

CERCLA

I would now like to turn to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 [CERCLA]. This statute authorizes the President to respond directly to releases of hazardous substances and releases of pollutants or contaminants that may endanger public health, welfare or the environment.

The President has delegated his authorities under CERCLA to several Federal agencies, principally EPA, through Executive Order 12316. He also delegated authority to the DOD for long-term remedial responses to releases on DOD facilities. The guidelines and procedures to be followed in implementing the Superfund Program are spelled out explicitly in the National Contingency Plan [NCP].

In early 1981, EPA received notifications regarding hazardous waste sites required under section 103(c) of CERCLA. These notifications were placed in an inventory called ERRIS [Emergency and Remedial Response Information System].

It now contains over 17,000 sites. New sites are constantly added as appropriate, and we expect the list will eventually reach 22,000 sites. About 8,000 of these sites have been evaluated and a determination made either that no action is required or that response action may be appropriate.

At present there are about 796 sites at approximately 500 Federal facilities identified in ERRIS. These are mostly inactive facilities on land still in Federal ownership.

In addition, the Army Corps of Engineers, acting as executive agent for DOD, has identified approximately another 1,000 formerly owned DOD sites which remain to be investigated and assessed by the Corps. Many of these "formerly owned sites, including over 100 sites on Department of the Interior land, are on land owned by other Federal agencies.

Under CERCLA, three kinds of situations arise involving Federal facilities where a hazardous substance has been released and poses a need for remedial response.

The first situation is one in which the release is solely from a Federal facility and is contained within the boundaries of the facility.

The second situation occurs where the release is solely from a Federal facility and there is off-site contamination.

In both these instances, the Federal agency is primarily responsible for the cleanup or containment of the release and must seek funding through its appropriation process to remedy the hazards which the site poses.

The third situation occurs when a Federal facility may be one of several sources of contamination or the source of contamination is unclear. In these instances, a fund-financed cleanup may be pursued.

In those cases where EPA responds, it will seek to recoup the money expended from the responsible parties, including Federal agencies.

NATIONAL PRIORITIES LIST

The National Priorities List [NPL] is a management tool that was developed to allow EPA to identify the most seriously contaminated sites and set priorities for response work.

The list identifies high priority candidates for fund-financed—Superfund—remedial action, enforcement action and private party cleanup.

Up until now, Federal facilities have not been listed on the NPL, unless they fall into the third category mentioned previously, because CERCLA prohibits expenditures from the Hazardous Substance Response Trust Fund for long-term cleanup activities at Federal sites.

However, we now believe that listing candidate Federal sites on the list will serve a useful purpose in informing the public, the Congress and the Federal agencies concerned of the existence and relative ranking of Federal sites. EPA is presently scoring 49 DOD sites, plus several from other Federal agencies. Those scoring above the current cutoff point after undergoing qualify control checks will be placed on the next National Priority List update, which will be published in late summer or early fall.

Mr. Chairman, I believe that during the past year EPA and DOD have worked together very aggressively and effectively to address the problems of environmental pollution, including hazardous waste sites at DOD facilities. The funding support for this important effort that this subcommittee provided will allow the process to move forward vigorously. You have indicated your support for this important effort and demonstrated the resolve of the U.S. Government to solve its environmental problems. We hope other subcommittees will follow your leadership.

At this time I welcome any questions you and the members of the subcommittee might have regarding our hazardous waste programs or other issues concerning Federal facility sites.

Senator STEVENS. Thank you very much, Ms. Cooper.

I, too, hope others will do what we have done. I want to make certain that everyone understands we have not tried to change the law. We have just tried to assure that the Department of Defense has the funds to comply with the law.

[The statement of Ms. Cooper is as follows:]

PREPARED STATEMENT OF JOSEPHINE S. COOPER
ASSISTANT ADMINISTRATOR FOR EXTERNAL AFFAIRS
ENVIRONMENTAL PROTECTION AGENCY

Good Morning, Mr. Chairman and members of the Subcommittee. It is a pleasure for me to be here this morning to discuss with you the responsibilities that Federal agencies including the Department of Defense (DOD) have to ensure that all necessary actions are taken for the prevention, control and abatement of environmental pollution with respect to facilities and activities under their control. I would also like to discuss the responsibilities of the Administrator of the Environmental Protection Agency (EPA) with respect to these matters, and emphasize that:

- Federal facilities compliance is a high priority and EPA is committed to working aggressively both in providing technical analysis and in inspecting, monitoring, and enforcing compliance; and
- DOD and EPA have worked together closely to ensure the abatement of pollution at DOD facilities.

The Executive Branch of the Federal Government owns 27,071 installations consisting of 729,820,861 acres of land and 387,396 buildings. It owns 435,000 motor vehicles, over 2,000 major vessels and over 15,000 large aircraft. It operates nearly a thousand hospitals, hundreds of laboratories and many manufacturing plants and highly technical facilities. With operations on such a large scale, it should come as no surprise that many of these facilities have been sources of pollution in the past and remain potential sources in the future.

As the Assistant Administrator for External Affairs, I am National Program Manager for the Federal Facility Compliance Program. In this program we pursue the goal of bringing Federal facilities into compliance with applicable pollution control standards through a series of cooperative efforts which are described in detail in Executive Order 12088, "Federal Compliance with Pollution Control Standards." Each Federal agency:

- Is responsible for ensuring that facilities under its jurisdiction comply with Federal, State and local environmental standards, procedural requirements, and schedules for cleanup.
- Must include in its budget request funds needed to bring its facilities into compliance.

For its part, EPA has the responsibility to:

- Provide technical advice and assistance to ensure cost effective and timely compliance.
- Conduct reviews and inspections to ensure compliance by Federal facilities and activities.
- Assist Federal agencies and OMB in developing budgetary plans for controlling pollution from Federal facilities.
- Resolve disputes between Federal agencies, EPA and/or states regarding noncompliance by Federal facilities.

We assume and expect that with this type of cooperative process responsible managers within Federal agencies will take all necessary steps to bring their facilities into environmental compliance. However, there should be no question about EPA's will to take enforcement action, including issuance of administrative orders if it should become necessary. We are committed to ensuring that Federal agencies comply with all applicable laws and regulations, and we will not hesitate to seek compliance with those laws through administrative procedures under E.O. 12088 if there is unwarranted delay in initiating remedial actions.

What kind of job is the Federal Government doing in carrying out its pollution abatement programs? The perception of the public, the media and many in the Congress is that progress at Federal installations is too little and too slow. Many also believe that Federal officials are not sufficiently sensitive to the pollution generated by their current or past operations or the impact this pollution may have on the people using or living just outside the boundaries of those facilities.

Such general perceptions are difficult to address, but we are now beginning to gather the kind of information that will help us define the extent of pollution from Federal installations. EPA has placed a very high priority on dealing with this problem. Returning Federal facilities to compliance ranks near the top of EPA priorities for Fiscal Year 85-86, and we are working to give it the attention it deserves. What, then, is the extent of pollution at Federal facilities?

Based on a variety of statistics, the portion of this country's pollution problem contributed by Federal facilities is significant. For example:

- Using the number of air, water and hazardous waste facilities as a measure, Federal agency pollution control facilities made up 2-5% of the entire number of facilities in the U.S.
- Of the 544 major industrial and municipal facilities in significant noncompliance with Water Final Effluent limits at the start of this fiscal year, 32 or 6% were Federal facilities.
- Of the 328 significant air violators, 6 or nearly 2% were Federal facilities.
- Of the 523 major RCRA handlers with Class I violations at the beginning of FY 1984, 30 or 5.7% were Federal facilities.
- Of the beginning year inventory of 216 significant TSCA violators, 13 or 6% were Federal facilities.

These statistics alone do not permit us to say whether the Federal Government is doing a good or bad job in pollution abatement, but they do provide us with a better idea of the magnitude of the problem, and suggest that Federal compliance with pollution control standards is not significantly different than private sector compliance.

Both EPA and Federal agencies are working on these problems. The agencies are continuing to identify problem areas and to plan and budget abatement projects to correct them. At the present time there is over $2.5 billion committed to pollution abatement projects either under construction or in the 5-year plans of Federal Agencies.

EPA has taken a number of actions this year which will assist us to determine more accurately how well federal agencies are progressing in their pollution abatement programs. We also intend to provide both additional technical and management assistance to ensure cost-effective and timely compliance with applicable pollution control standards.

Let me now focus on some of the specific actions EPA and DOD have taken to assist DOD to implement their hazardous waste programs quickly and effectively. Several of these have already been mentioned in the DOD testimony.

By agreement between EPA and DOD, DOD has assigned to my office a full-time liaison officer to coordinate compliance matters between our two agéncies. By coordinating with personnel in our 10 Regional offices, as well as military environmental policy personnel in the Pentagon and at major commands in the field, he insures a good flow of communications on environmental compliance and makes sure that corrective projects are designed, planned and budgeted.

At the same time, EPA has assigned a senior policy person to the DOD Environmental Policy Office in the Pentagon. He assists in resolving policy problems which may develop between the two agencies. Both the DOD/EPA Liaison officer and the EPA policy representative attend weekly staff meetings in the DOD Environmental Policy Office as well as the monthly Environmental Quality Conference with Army, Navy, Air Force and Defense Logistics Agency representatives. These meetings have provided EPA complete disclosure of information on DOD's environmental program.

EPA's National Enforcement Investigations Center (NEIC) in Denver routinely reviews DOD contracts for hazardous waste disposal to assist DOD in obtaining hauling and disposal services which are reputable, based on EPA's experience and evaluation of the firms. EPA also provides technical assistance and guidance in implementing DOD's regulations, policies and procedures for environmental pollution control. The EPA/DOD Memorandum of Understanding on implementation of CERCLA, signed last summer, has been very effective in clarifying each Agency's responsibilities and commitments for conducting and financing response actions.

Another important coordinating activity which has proved effective is a quarterly meeting between personnel from my Office, the Office of Solid Waste and Emergency Response, and the DOD Environmental Policy Office to review and clarify hazardous waste policy issues which have arisen over the previous three months. I believe that we have established the type of technical and management advisory channels envisioned by the Executive Order.

In February, we sponsored a conference to promote environmental auditing among Federal agencies. The conference was very successful as an educational and technology transfer mechanism, as well as serving to assist agencies to establish or upgrade environmental auditing systems.

We were pleased to learn about several agencies' (Air Force, Army, and DOE) self-audit programs. We are also pleased that DOD has initiated (and apparently accelerated as a result of our conference) a study of feasible environmental auditing options for the services. We believe an environmental audit system will help DOD or any other agency to better identify environmental problems and risks, establish procedures for fixing problems, and better avoid future environmental problems.

Let me discuss in some detail where the DOD hazardous waste program under CERCLA and RCRA stands as far as EPA is concerned.

RCRA

I will focus first on the RCRA program. The requirements in RCRA and Executive Order 12088 are generally applicable to Federal facilities as they are to other non-Federal facilities. RCRA does allow the President to exempt Federal facilities from these requirements (or state hazardous waste requirements) when he determines that "it is in the paramount interest of the United States to do so." At this time, however, no such exemptions have been granted.

With respect to compliance, EPA policy guidance specifies that Federal facilities are to be inspected or monitored in the same manner and with the same frequency as non-Federal facilities. Starting in FY 1984, the Agency's inspection strategy will provide for annual inspections of 100% of all major facilities and 25% of all non-major facilities. These inspection activities demonstrate EPA's interest and involvement with Federal facilities.

EPA has granted interim authorization to 45 states for implementation of compliance monitoring and enforcement responsibility in lieu of EPA. The ability to monitor and inspect compliance activities at Federal facilities demands that EPA or authorized State officials have access to the facilities. Under Section 3007 of RCRA and Executive Order 12088, officials from EPA are authorized to inspect Federal facilities. In authorized States, this inspection authority is given under State law and RCRA section 6001. DOD has stated clearly its position that EPA personnel and their authorized representatives are to be given access to DOD facilities for inspection purposes. To the best of my knowledge, EPA inspectors have had no problems obtaining access to DOD facilities to perform their duties.

In FY 1983, EPA and the states conducted a total of 164 inspections under RCRA at Federal facilities. Following these inspections, EPA took 55 administrative enforcement actions to ensure compliance. Most of these actions were in the form of section 3007 requests for information relative to the generation and handling of wastes and section 3008 letters warning that a facility is out of compliance and requesting that it achieve compliance within a specified time.

If a facility is notified by EPA or a State that it is out of compliance, E.O. 12088 requires the facility to consult with the notifying agency and provide a plan for achieving compliance. The plan must include an implementation schedule for coming into compliance as soon as practicable and, if necessary, a negotiated Federal Facilities Compliance Agreement. We are working with DOD to bring some 30 facilities into compliance by the end of September, 1984.

In January 1984 we published our policy on resolving compliance issues with other Federal agencies. It is contained in our "Yellow Book" entitled "Resolution of Compliance Problems at Federal Facilities." Remedies for compliance problems at Federal facilities are pursued just as vigorously as similiar remedies at non-Federal facilities. Only the means for achieving them are different. For Federal facilities, an administrative approach centering around negotiation of a Federal Facilities Compliance Agreement is used rather than the enforcement/litigation approach. Should this fail, statutory administrative orders may be appropriate during dispute resolution. Compliance with Administrative Orders will be sought through the E.O. 12088 or E.O. 12146 process.

CERCLA

I would now like to turn to CERCLA. This statute authorizes the President to respond directly to releases of hazardous substances and releases of pollutants or contaminants that may endanger public health, welfare or the environment. The President has delegated his authorities under CERCLA to several Federal agencies, principally EPA, through Executive Order 12316. He also delegated authority to the DOD for long term remedial responses to releases on DOD facilities. The guidelines and procedures to be followed in implementing the Superfund program are spelled out in the National Contingency Plan (NCP).

In early 1981, EPA received notifications regarding hazardous waste sites required under Section 103(c) of CERCLA. These notifications were placed in an inventory called ERRIS (Emergency and Remedial Response Information System). It now contains over 17,000 sites. New sites are constantly added as appropriate, and we expect the list will eventually reach 22,000 sites. About 8,000 of these sites have been evaluated and a determination made either that no action is required or that response action may be appropriate. At present there are about 796 sites at approximately 500 Federal facilities identified in ERRIS. These are mostly inactive facilities on land still in Federal ownership. In addition, the Army Corps of Engineers, acting as executive agent for DOD, has identified approximately another 1000 "formerly-owned" DOD sites which remain to be investigated and assessed by the Corps. Many of these "formerly-owned" sites, including over 100 sites on Department of Interior land, are on land owned by other Federal Agencies.

Under CERCLA, three kinds of situations arise involving Federal facilities where a hazardous substance has been released and poses a need for remedial reponse. The first situation is one in which the release is solely from a Federal facility and is contained within the boundaries of the facility. The second situation occurs where the release is solely from a Federal facility and there is off-site contamination. In both these instances, the Federal agency is primarily responsible for the clean up or containment of the release and must seek funding through its appropriation process to remedy the hazards which the site poses. The third situation occurs when a Federal facility may be one of several sources of contamination (or the source of contamination is unclear). In these instances, a fund-financed clean-up may be pursued. In those cases where EPA responds, it will seek to recoup the money expended from the responsible parties, including Federal agencies.

Federal Facility Listing on the National Priorities List

The National Priorities List (NPL) is a management tool that was developed to allow EPA to identify the most seriously contaminated sites and set priorities for response work. The list identifies high priority candidates for fund-financed (Superfund) remedial action, enforcement action and private party cleanup. Up until now, Federal facilities have not been listed on the NPL (unless they fall into the last category mentioned previously) because CERCLA prohibits expenditures from the Hazardous Substance Response Trust Fund for long term cleanup activities. However, we now believe that listing candidate Federal sites on the list will serve a useful purpose in informing the public, the Congress and the Federal agencies concerned of the existence and relative ranking of Federal sites.

EPA is presently scoring 49 DOD sites, plus several from other Federal agencies. Those scoring above the current cut-off point after undergoing quality control checks will be placed on the next National Priority List update, which will be published in late summer or early fall. At the present time, there are 546 sites on the NPL. (The next update will propose to increase the list, including perhaps 35-40 DOD sites.) DOD has been providing Internal Assessment Reports on these sites to both States and EPA Regions. This process will continue for additional DOD sites, as well as other Federal agencies' sites, just as it will continue for civilian sector sites.

Mr. Chairman, I believe that during the past year EPA and DOD have worked together very aggresively and effectively to address the problems of environmental pollution, including hazardous waste sites at DOD facilities. The funding support for this important effort that this Subcommittee provided will allow the process to move forward vigorously. You have indicated your support for this important effort and demonstrated the resolve of the U.S. Government to solve its environmental problems. We hope other subcommittees will follow your leaderhip.

At this time I welcome any questions you and the members of the Subcommittee might have regarding our hazardous waste programs or other issues concerning Federal facility sites.

DEPARTMENT OF DEFENSE

STATEMENT OF LT. COL. PETER DALEY, U.S. AIR FORCE, DIRECTOR, ENVIRONMENTAL AGENCY, OASD [MI&L]

SITES ON INTERIOR PUBLIC LANDS

Senator **Stevens**. Colonel Daley, do you have any remarks to make?

Colonel **Daley**. I have no formal remarks, sir. I will be glad to answer questions.

Senator **Stevens**. Mr. Secretary, in terms of the sites, there are over 100 sites on the Department of the Interior's public lands.

Are they included in your list of 400?

FORMERLY OWNED SITE PROGRAM

Colonel **Daley**. The 100-plus sites, about 150 sites, have been provided to us as candidates for the formerly owned site program by the Department of the Interior. These sites are among nearly 1,000 sites that have been identified to us by other Federal agencies, State and local governments, and anyone else that wants to nominate sites for inclusion in the formerly owned site program.

The Army has the task of developing criteria which are consistent with other Defense criteria to assure that the most serious problems in the formerly owned program are addressed first and that we are equitable in our distribution of funds concerning the needs of safety, environmental protection, and health protection in the formerly owned site program.

Senator **Stevens**. Do you have jurisdiction over the sites that are under the military construction bill, too?

Colonel **Daley**. We will have over some sites. The nature of the cleanup is such that they will require funds through the military construction program.

At the present time we have no military construction program request in the budget. We expect to have some in the future, though.

REQUIREMENTS FOR MILITARY CONSTRUCTION FUNDS

Senator **Stevens**. Do you have any requirements for military construction money now in your program?

Colonel **Daley**. Not in the restoration program, sir. We have some other environmental programs.

Senator **Stevens**. None in the hazardous waste or formerly owned sites?

You need military construction money to continue this program now?

Colonel **Daley**. In the hazardous waste program we do have a request for funds for construction of hazardous waste storage facilities.

Senator **Stevens**. But they are not in the budget this year?

Colonel **Daley**. I don't think we have anything in the budget this year. We are expecting some in 1986, military construction.

Senator **Stevens**. Could you give this committee a list of those that are under consideration and indicate any that have priority.

I have to tell you the military construction bill is going to be marked up here in the next few weeks.

Colonel **Daley**. We will be glad to file a list of environmental projects.

Senator **Stevens**. The chairman will be very sympathetic to using some of the funds there, that might otherwise be cut this year, to pursue this kind of program under his bill also.

[The information follows:]

Military Construction Projects

The Fiscal Year 1985 Military Construction Request includes three projects for hazardous waste storage facilities for the Defense Logistics Agency.

(1) Defense Property Disposal Office, San Diego, CA hazardous material/waste facility	$900,000
(2) Defense Property Disposal Office, Pearl Harbor, hazardous material/waste facility	1,950,000
(3) Defense Property Disposal Office, Fairbanks, AK covered storage	1,800,000

CLEANUP PROJECTS

Senator **Stevens**. I don't quite understand, Ms. Cooper, where you come in with this National Priority List of cleanup projects as far as DOD is concerned.

Do you list those projects on your own motion or do you get from Mr. Stone and the DOD people the prospective projects and decide which go on the National Priority List?

Ms. **Cooper**. What we try to do is work with the Department of Defense and identify in some fashion which projects might be candidates for the National Priority List. The use of the National Priority List is an attempt to prioritize the projects in terms of the kind of environmental damage and potential for public health exposure that those projects represent.

We are trying to come up with a likely list of those that pose the greatest problem. Then we score those sites by our Hazardous Ranking System and put them on the list according to the scores that they come up with as far as how they rank. They are ranked along with the private sites that we also put on that list.

FUNDING FOR PROJECT SITES

Senator **Stevens**. Do you put on that list the former or inactive DOD sites, too, or is it just current DOD sites?

Ms. **Cooper**. I think there are some of each. Yes, there are some of each.

Senator **Stevens**. Is this funding that we provided for this year? I am not talking about 1985, but the 1984 funding, is that being used now in accordance with the priorities that have been worked out in this joint group you have been working with?

Ms. COOPER. The scoring of those sites has not yet been completed, but according to DOD's ranking in terms of overall priorities, I would assume the funds are being expended in that fashion. But we have not yet completed those rankings.

Senator STEVENS. I know that the Department of Defense would have great interest in sites currently being used by Defense.

ABANDONED OR FORMER SITES

I wonder if there is an adequate priority being given to the ones that are abandoned or former sites which to the public present even greater hazards than those that are actively under the control of the Department of Defense?

Mr. STONE. Mr. Chairman, the Department of Defense is expending its effort in accordance with what we think are the most significant actual or potential environmental problems.

Senator STEVENS. Without regard to whether you are using the sites now or not?

Mr. STONE. Absolutely. There are many cases of DOD activities on sites that are formerly-owned sites.

For example, the West Virginia Ordnance Works is one we have not used, I believe since 1945. So, we are spending the money in accordance with what we think our responsibility is and we believe we are responsible for cleanup of formerly used sites.

Senator STEVENS. Ms. Cooper?

Ms. COOPER. I guess we have not gotten into very much detail, but our use of Executive Order 12088 outlines the process whereby we review the budget submittals of other Federal agencies that are going to embark on pollution abatement activities.

If we find there are sites that should be on the list that are not, or have some question about the Department of Defense's or other agency's priorities, we can raise those concerns in the budget cycle in our review of their line items: both sites and the activities where they are to spend money for pollution abatement projects.

We have an opportunity, if there are sites where we don't think they are being quite attentive enough, to say this is a site that has been called to our attention and we think you should address it in a different fashion.

We have an opportunity to review that over and above this national priority activity.

FORMERLY OWNED LANDS IN ALASKA

Senator STEVENS. My concern originally came from the fact that there are many areas in Alaska that had formerly been occupied by the Department of Defense that long ago were closed down, some on public lands, some on private lands, but they have been abandoned and the Department of Defense, I think legitimately, was saying, "Those are no longer our responsibility, we let them go," but BLM had no money to clean them up.

The local people were being subjected to potential hazard. We wanted to see that DOD with your help would address those problems.

We also found that there were still literally thousands of acres that had ammunition on them. We didn't know whether it was hazardous or not and needed help to determine that.

Not just in my State, but this same thing happens in West Virginia and everywhere else, sites have been given up by the Department of Defense, and we want to make certain that this priority list includes not only DOD bases that are currently occupied, but those that have been formerly used, because I really think, as I have said before, the responsibility is greater there because if there are uniformed people on a base, they are really not going to be a public hazard as the people are there and I think DOD would be interested in pursuing the cleanup there naturally anyway, but I am most interested in the public lands area and abandoned sites area.

Ms. **Cooper**. I might make one other comment.

SUPERFUND MONEY FOR CLEANUP

While I said that the Superfund cannot provide funding for long-term cleanup at Federal sites, where there are imminent substantial endangerment situation—where the public is at risk in an emergency type situation—the Superfund money can be used to take emergency action when there is really a situation that warrants it.

So that is a possibility, too, in terms of situations that perhaps haven't been either identified or brought to the attention of the proper authorities.

When they do become identified, EPA can use money in the fund and recoup from the responsible parties at a later date, but those are situations where on Federal lands or Federal areas we could take action under the Superfund.

Senator **Stevens**. We didn't want the Department of Defense to have to wait for Superfund money. We believed they should have the money up front and proceed to spend the money and maintain what I think is a best image of the DOD and aggressive pursuit in accord with Federal law.

NATIONAL PRIORITY LIST

Colonel **Daly**. I would like to make a short comment concerning priorities.

The National Priority List which governs the expenditures of the Superfund has inputs from the Department of Defense and any other ogranizations who choose to nominate either present or formerly-owned sites for environmental cleanup.

We have within the Department of Defense our own priority system which is slightly different among the services, but consistent.

It is our plan to place all formerly-owned sites, for consideration on our priority list. We use criteria for our cleanup which are considerably more stringent than those used in the National Priority List.

They have a certain cutoff point in the their scoring system below which they will not fund cleanups. We use a similar scoring system. We also have our cutoffs, but in general we clean up sites at a level less harmful that those on the National Priority List.

So, our cleanup program is in fact more ambitious in terms of the number of sites that will actually be cleaned up, either formerly owned or presently owned, because similar criteria will be used in both programs to assure that the national resources are protected and cleaned up.

CLEANUP OF ALEUTIAN CHAIN ISLANDS

Senator STEVENS. I hope in your planning that you take into account some of the historical concerns involved. I know some of our islands in the Aleutian chain were occupied by the Japanese during World War II. We still have hopes someday we will recognize that.

I think it is the only land that has been occupied by an enemy in many, many years. We still haven't permitted use of that land. The concept of cleanup out there ought to be consistent with some kind of historical preservation of artifacts and whatever else is there.

Is the concept of historical artifacts for preservation part of the program, Mr. Secretary?

Mr. STONE. I had not thought of it in historical terms, Mr. Chairman.

We do believe it is our responsibility to clean up unexplored ordnance. The biggest problem we have right now is that the technology is not available that we need to locate and remove it.

We are spending money to develop that technology, but it will be some time before that job is tackled in a big way.

REMOVAL OF AMMUNITION FROM PUBLIC LANDS

Senator STEVENS. I should get into the question of removing a lot of ammunition from public lands. I would hope that you would consult with Interior about the problem of preserving the historical artifacts that are there, not only that, but some of the structures that might be preserved on a historical basis.

Mr. STONE. We are required to comply in our cleanups with the National Historical Preservation Act. So, I think that helps.

Senator STEVENS. We established this account, $150 million, as a centralized account, to centralize the responsibility within the Department.

I note with pleasure that you have requested a considerable addition to the fund, but is in several different funds in the bill that is before us for 1985.

DECENTRALIZATION

Why did you decentralize?

Mr. STONE. Mr. Chairman, that fits with the way we operate almost everything in the Department of Defense when we try to put the money where the responsibility is.

For example, where responsibility rests with the Department of the Army or Department of the Air Force for anything, for environmental cleanup or for developing a weapon system, we routinely put the money in that service's account. That is what we have done this year.

REVISION ON FUNDING REQUEST

Senator **STEVENS**. John has told me that there has been a revision, as you indicated, too, a considerable revision by both the House and Senate authorization committees from the $234 million.

I was about ready to ask you what you had already done with regard to the revision from $313 million down to $234 million. Let me ask the question two ways.

What sites did you eliminate when you reduced that program and now what sites do we have to eliminate further if we go down to the $190 million level of the two authorization bills?

Mr. **STONE**. Let me ask Colonel Daley to respond.

Colonel **DALEY**. We are not eliminating any sites entirely from the program by the cut to $234 million, but it will delay work at a number of sites.

For example, some of the sites in all of the services will be delayed. An Army project to evaluate waste lagoons that they have will be substantially delayed which is a significant effort. It is not delaying any work that has any immediate impact on health, but it is work that won't be able to be done.

With regard to the additional cut, the additional cut of some $40 million is entirely in the Army program, and it will not delay health-related work and environmentally immediate requirements in the Army program. It will probably come in the formerly owned sites program.

FUNDING FOR POLLUTION PROBLEMS

Senator **STEVENS**. Aren't there funds in the other portions of the DOD budget to take care of pollution problems?

This is not your only source of funds?

Mr. **STONE**. That is correct.

Senator **STEVENS**. It is the only source of funds complying with the hazardous waste and the formerly owned site restoration; is that correct?

Colonel **DALEY**. The military services have in their operations and maintenance budgets the responsibility for some hazardous waste operations. The centralized program organized through the Defense Logistics Agency and hazardous waste management is funded through the restoration account.

Senator **STEVENS**. This reduction down to the level of $190 million would mean a total reduction of $123 million.

What will that do to the program?

Colonel **DALEY**. the additional reduction down to the $234 million level will primarily affect the timing of the program.

It will not affect the total elimination of sites from the program.

Senator **STEVENS**. It won't eliminate the identification of the sites and prioritization of the sites?

Colonel **DALEY**. No, it will not change that, but it will slow down the work. The additional cut below $234 million proposed by the Armed Services Committees will essentially stop the former sites program——

[Recess.]

Senator STEVENS. I apologize. It was one of those calls you can't refuse.

Back on the record.

PCB PROBLEM

Ms. Cooper, I am a little worried about the problem of PCB's that are being removed from Alaska as a result of this program.

As you know, following a shipment of a small amount of PCB's to Seattle from Alaska there was some concern in Seattle which resulted in tightening of the procedures for PCB shipments out of Alaska.

This year I understand there are about 2.3 million pounds of PCB's to be transported from Alaska, from former White Alice sites which have been identified by Mr. Stone.

Senator STEVENS. One of the things I would like to know is, are you satisfied that there are safeguards for this shipment that will take place over lands in Alaska to the port and are these procedures that have been established in Seattle going to be such that once these PCB's are loaded and shipped from Alaska that they will be received in Seattle.

We don't want them bouncing back and forth between Seattle and Alaska. If these new procedures won't allow them to be off loaded, we will be in trouble.

Ms. COOPER. I have some data from our regional office. My understanding is what we were dealing with in the earlier shipment was essentially a public perception problem.

In response to that, the Defense Property Disposal Service contracted with EPA's National Enforcement Investigation Center to monitor transfer of the waste. NEIC went back and did a study of each of the points at which the PCB's were dealt with and concluded basically there were no major violations of any of the environmental laws in the shipment and proper safeguards were taken.

What we have agreed to do on the next shipment, which I understand is to be in August, is that they will notify EPA and EPA will then notify both the Canadians and the people in the receiving areas that the shipment is going to take place and what the timing is and that kind of thing.

We feel confident that adequate safeguards will be taken, and that by dealing with some of that public perception up front we can diffuse some of the reaction and opposition to those shipments.

NOTIFICATION TO STATES OF SHIPMENTS

Senator STEVENS. Will State and municipal agencies in our State be notified in advance of the transportation?

Ms. COOPER. Absolutely. We have tried to work out the communications strategy in all the affected areas so that the proper officials will be notified of the timing and nature of the shipment and the kind of safeguards.

The reason we did the National Enforcement Investigation Center study was to really give the public some assurance that proper procedures were followed and that the situation was dealt with in the most environmentally acceptable way.

Senator **Stevens**. As I understand it, this is part of your cleanup program, Mr. Stone and Colonel Daley.

Do you just generally have a policy of coordinating with the State and local governments as you get into this hazardous waste control concept?

Mr. **Stone**. Absolutely, Mr. Chairman. Our policy is to coordinate with EPA and the State and local authorities and to be up front with the public.

AREA IDENTIFICATION

Senator **Stevens**. Are they involved in identification problems? Are State and local governments involved in identification of the areas, particularly former site areas that are of concern?

Mr. **Stone**. State and local authorities identify sites and individuals can identify problems as well.

Senator **Stevens**. But are they solicited to participate in the identification of these areas?

Really DOD is not going to go back and look at every area ever used in the United States, I presume.

Colonel **Daley**. We have gone to the EPA through the EPA regions asked them to nominate sites for the former sites programs as well as Federal agencies.

We have gone to the National Governors Association, to each of the State governments, and asked them to nominate sites.

In all candor, this has not led to a large number of sites being identified.

What we have found is when we begin active work in an area evaluating a few sites about which we have been notified, that brings forth a great deal of interest. In toto now we have nearly 2,000 sites that have been identified for evaluation.

Senator **Stevens**. Did you approach, what is it, the League of Municipalities and Cities that exists? Have you gone through the mayors?

Colonel **Daley**. No, sir.

Senator **Stevens**. It is the mayors that came to me orginally.

Colonel **Daley**. We will be glad to do that, sir. We want all the input we can get. We have not done that yet.

FUNDING REQUIRED

Senator **Stevens**. We, too, have a little leeway. I want to thank you, dispite the fact you didn't do what we thought would be best in the way you have handled the funds.

They are a little bit easier for us to handle in terms of the authorization levels because the authorization bill does deal with one account. But there are several accounts that can be used.

Can you tell me how much money, if you had your druthers, how much money you could use this year? Do you have a list of sites that could be used this year?

Mr. **Stone**. If we had our druthers, Mr. Chairman, we would want the budget request of $314 million.

Senator **Stevens**. That is what you got after you went through the Department and OMB and all other cuts.

Were there any other sites that were not included in that that could have been addressed this year?

There is a way I can get this answer out of you one way or the other.

Colonel **Daley**. There are sites that could be addressed this year, sir; but because of the late start the program had this year, particularly the former sites program, we are having a very difficult time obligating enough money by July 31.

According to the rules we follow, 80 percent of the Defense budget and 80 percent of any Defense account, which includes the restoration account, must be obligated by August 31. It turns out that we just couldn't obligate money fast enough in order to do everything we would have liked to do this year.

Given some relief from the 80–20 percent split, we could probably obligate another $40 million on other cleanup programs and hazardous waste management this year.

Senator **Stevens**. I take it what you are saying is that the amount ~~that you~~ could have used which could be widely spent would be the budget request?

Colonel **Daley**. Yes, sir.

Senator **Stevens**. $314 million?

Colonel **Daley**. For fiscal year 1985. Yes, sir: we could have spent some more this year.

PCB TRANSPORTATION FROM ALASKA

Senator **Stevens**. A large amount of these PCB's is being transported from my State.

Is there a similar amount being moved from other States, by the way? Is this an enormous amount?

Colonel **Daley**. That is a significant fraction of the quantity we are moving. I think it is of the order of a quarter of what we are moving nationally.

We are moving very fast to dispose of our PCB's because we have let them accumulate, particularly in Alaska, because of inability to move them out of there for one reason or another. In part because national resources for PCB disposal were not available and in part because of our own slowness in the areas.

Senator **Stevens**. Ms. Cooper, they tried to burn them up our way. Do you know if that works?

Ms. **Cooper**. Yes, it does if you have a permitted incinerator that can handle them.

Senator **Stevens**. Did DOD look into that in Alaska?

Colonel **Daley**. Yes. There was not a facility available for burning the quantities that we had available for us in Alaska. That would have obviously been a viable option because the cost of transport to the lower 40-48 and incineration here is very high.

INCINERATION OF PCB'S

Senator **Stevens**. What do you do to them in the lower 48? Do you take them to an incinerator that is adequate?

Colonel **Daley**. Yes, sir.

Senator **Stevens**. Is that in the Seattle area?

Colonel **Daley**. No, sir. They went to Chicago.

Senator **Stevens**. Always in Chicago?

Colonel **Daley**. There are only four incinerators for sites in the country that are permitted.

Senator **Stevens**. None on the west coast?

Colonel **Daley**. Not that I know of.

Senator **Stevens**. Should that be looked into? Are we going to have this problem for a long enough period to look into the establishment of an incinerator site on the west coast?

Colonel **Daley**. I think there is great national concern, in DOD and EPA and among those people who generate and handle hazardous waste, for developing more incinerator sites. It is getting a great deal of attention.

Senator **Stevens**. To your knowledge, is there any request up for that? That would be military construction. Does DOD have any of the four sites?

Colonel **Daley**. No, sir; we don't have nearly the quantity of materials required to keep the incinerator going. These are very large facilities.

Senator **Stevens**. What is the contribution of DOD in the Hazardous Waste Program compared to the total amount of PCB's handled annually,

Colonel **Daley**. A couple percent.

Senator **Stevens**. Ms. Cooper, who is going to handle getting more incinerators?

Ms. **Cooper**. It is a continuing problem to site those facilities and get them permitted.

Senator **Stevens**. Do you own them or operate them?

Ms. **Cooper**. No, sir. They are privately owned. They have to go through a very rigorous permitting process to meet the standards necessary.

As Colonel Daley indicated, there are financial incentives that preclude those facilities being located very close together. There is a finate need for them and it takes a long time, years, to go through the permitting process.

So, it is not a simple matter to get into the business.

SHEMYA PROGRAM

Senator **Stevens**. I appreciate your coming today and giving us this information. I thank you, Colonel Daley, for what you are doing and Mr. Secretary.

Ms. Cooper, we appreciate your help. If you run into anything where you need the help of this committee, we are very much involved, we would like to keep this moving.

I am told that there was a historical problem raised on Shemya concerning preservation out there. You ought to use some of your traveling money to go see that. People are visiting the beaches in Normandy. As I said, it is the only place occupied by foreign troops in World War II and a couple other wars. It is very interesting out there.

Unfortunately many of these hazardous substances are commingled with some very interesting historical artifacts out there. Pieces of old Japanese Zeroes and various other war materiel relics have been put into dumps with things like this, with PCB.

It would be a difficult thing to preserve those, but I would like to see if we can preserve them.

Thank you.

I understand that you did ask that the Shemya Program be worked in conjunction, Colonel Daley, with the historical needs of the people in that area.

Colonel **Daley**. The Corps of Engineers is working very hard to make sure that the Historical Preservation Act, in terms of its substance and its spirit, is fully integrated with the Hazardous Waste Cleanup Program of former sites.

SUBMITTED QUESTIONS

Senator **Stevens**. Thank you, Colonel Daley. Members of the committee have submitted written questions to be answered for the record. They will be inserted at this point.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR STENNIS

DEFENSE ENVIRONMENTAL RESTORATION PROGRAM

QUESTION: Last year, Congress added $150 million for Environmental Restoration, Defense. In 1985, the budget provides no funds for Environmental Restoration, Defense, although you indicate in your statement that $313.8 million was included elsewhere in the 1985 budget for this purpose.

Why was the Environmental Restoration, Defense, appropriation not used in 1985? Use of this mechanism would ensure that these funds would not be diverted for other purposes.

ANSWER: The Department's position is that the establishment of special purpose appropriations is unnecessarily restrictive and hinders efficient accomplishment of programs. Execution of environmental projects can be effectively achieved within the existing structure of military components and defense agencies appropriations through application of internal defense financial controls. Removing these funds from the Service/Agency accounts and centralizing them under OSD management creates unnecessary paperwork since the funds are spent by the Services and Agencies. More importantly, a centralized account implies that environmental restoration is not a responsibility of the military departments. Funding for this important program should be aligned with the organization responsible for its execution. The FY 1985 budget as submitted adheres to this basic financial management principle.

QUESTION: Your statement provides considerable detail on how the 1984 funds will be used. For example, you have a pie chart on page 4. However, there is little information on your 1985 budget. Please give us some details of your 1985 program.

ANSWER: Based on the $313.8 million as originally submitted in the President's FY 1985 budget request, we had planned to spend $252.3 million on active installations and $61.5 million on formerly-used site restorations. The breakdown by function is:

	($ in millions)
Installation Restoration Program	194.8
Building Demolition & Debris Removal	71.6
Hazardous Waste Disposal	28.7
Research and Studies	18.7
Total	313.8

QUESTION: In your statement, you indicate that, as part of the President's deficit reduction proposal, 1985 funds for Environmental Restoration were reduced by $79.8 million. What is the impact of this reduction? What specific projects are affected by this action?

ANSWER: Reductions would affect both active installations and the formerly-used sites program. We had planned to spend Environmental Restoration funds at about 100 bases nationwide on various phases of the program. Reduction in funding levels will delay some of this necessary work.

The Army, acting as the DoD Executive Agent for restoration of formerly-used DoD sites, is now in the process of identifying candidate former sites for correction. While we cannot precisely identify which sites would not be addressed at the reduced funding level, we are now carrying roughly 2,000 former sites in our inventory that should be evaluated. The reduction in funding will slow the program significantly.

QUESTION: I understand that there are four installations in Mississippi listed on the DoD Installation Restoration Program Master List as of 30 September 1983. At that time, the initial program step, installation assessment, had not been completed. What are your plans for these installations in 1984 and 1985?

ANSWER: The four installations in Mississippi and their current status are as follows:

1. Mississippi Army Ammunition Plant. Phase I has been completed. No problems were discovered. No further action is required.
2. Naval Construction Battalion Center, Gulfport. Phase I started in April 1984, and is scheduled for completion in early 1985.
3. Keesler Air Force Base. Phase I was completed in May 1984. Phase II is scheduled to start in October 1984. Estimated cost of Phase II is $150,000.
4. Columbus Air Force Base. Phase I started in January 1984 and is scheduled for completion later this year. Phase II may be required, based on results of Phase I.

QUESTIONS SUBMITTED BY SENATOR ANDREWS

ENVIRONMENTAL RESTORATION

QUESTION: It has come to my attention that there are three different programs planned for Grand Forks, North Dakota, that have to do with environmental restoration. One project is the Defense Fuel Support Point to clean up spillage. Reports have been published on Phases I & II and now this program is in Phase III, the final stage, where you are looking at technology base development.

-- Please provide the most current status on this project and whether it is funded.
-- Also please provide for the record any other relevant information such as a fact sheet, project duration, etc.
-- What is the status of the other two projects planned for Grand Forks?

ANSWER: The Defense Logistics Agency has completed an Installation Restoration Phase I study at the Defense Fuel Support Point (DFSP) Grand Forks in April 1984. No problems were discovered, and no further action is required.

Other environmental control projects at DFSP Grand Forks include: (1) Oil spill prevention facilities to correct drainage, pave oil truck loading area, and install a waste oil collection system. This is a $50,000 project, funded in FY 1984 through the Defense Fuel Supply Center's stock fund. This project is currently under design. (2) A project to provide cathodic protection for oil storage tanks. This project is for $150,000. It is under design and construction is expected to start in August 1984.

QUESTION: In Minot, North Dakota, there are plans to clean up a site formerly owned by DoD. This project is in the research stage of Phase I where, I understand, there are studies for installation assessment, terrain variations, and presence of contaminants.

-- Please provide the most current update on this project, its funding, and timetable for the other two phases.

ANSWER: The Air Force plans to initiate Installation Restoration effort (Phase I) at Minot Air Force Base in Fiscal Year 1985, using funds from the Environmental Restoration appropriation.

SUBCOMMITTEE RECESS

Senator **Stevens**. Thank you very much. We appreciate your courtesy.

Colonel **Daley**. Thank you, Mr. Chairman.

[Whereupon, at 11:35 a.m., Thursday, June 7, the subcommittee was recessed to reconvene at the call of the Chair.]

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1985

TUESDAY, JUNE 12, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:05 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Warren Rudman presiding.

Present: Senators Stevens, Rudman, and Inouye.

DEPARTMENT OF DEFENSE

ASSISTANT SECRETARY OF DEFENSE FOR HEALTH AFFAIRS

STATEMENT OF HON. WILLIAM MAYER, M.D., ASSISTANT SECRETARY OF DEFENSE FOR HEALTH AFFAIRS

ACCOMPANINED BY THEODORE D. WOOD, DEPUTY ASSISTANT SECRETARY OF DEFENSE, MEDICAL PROGRAM MANAGEMENT (ACTING)

DEFENSE MEDICAL OPERATIONS

BUDGET REQUEST

Senator **RUDMAN**. The subcommittee will come to order.

Our chairman is at a leadership meeting at the White House this morning, and he has asked me to chair the hearing. Hopefully, he will be able to join us, and if not we will simply continue the hearing to conclusion.

The subject of today's hearing is defense medical operations. The fiscal year 1985 budget request associated with these programs is about $9.5 billion. This includes $4 billion for military pay, $4.3 billion for operations, and approximately $1.2 billion for procurement, R&D, and construction.

Current fiscal year 1984 costs of medical operations is about $7.5 billion. The greatest portion of the increased request is due to the new method of accounting for retirement costs. There is also approximately $500 million in program and other cost growth.

Today we are primarily interested in those areas where this committee has been involved in the past few years, assuring quality care and controlling cost increases. We have a full agenda.

INTRODUCTION OF WITNESSES

Our first witness is Dr. William Mayer, the Assistant Secretary of Defense for Health Affairs. We will also hear from representatives of the Surgeons General and from an outside witness representing the Rand Corp., Dr. Joseph Newhouse.

Your printed statements will be included in the record in full, and we would appreciate it if you could summarize your remarks to the extent that you may.

I would yield for any statement that my colleague from Hawaii would like to make.

STATEMENT OF SENATOR INOUYE

Senator **Inouye**. Mr. Chairman, throughout the years, the Congress has been quite concerned, and justifiably, over the big bucks items for the weapons systems. But, I regret to confess that we have not spent enough time looking over the military health care system. As a result, I believe, if my research is correct, that we are not quite ready to get into a war.

Therefore, I hope that the witnesses this day will advise this committee as to the readiness posture of the military health care system to support our forces in combat, whether it be general combat or nuclear war.

For example, Mr. Chairman, I was told recently that in the Korean peninsula where we have over a division of men, we have less than 130 beds, and that is just enough to take care of the Hong Kong flu, but nothing beyond that. I dread to think of what would happen if we got into a skirmish out there. I believe this situation occurs in critical areas such as the Mediterranean.

I would hope that as a result of the hearings this day, we will know where we stand, and hopefully the committee will grant the health care system the priority it deserves.

Senator **Rudman**. Thank you, Senator Inouye.

Dr. Mayer.

INTRODUCTION OF ASSOCIATES

Dr. **Mayer**. Thank you, Mr. Chairman, and Senator Inouye.

I want to thank you for this opportunity to present the Defense Health Programs. I am accompanied by Mr. Ted Wood, who is the Director of CHAMPUS, the Civilian Health and Medical Programs of the Uniformed Services. He is also the Acting Deputy Assistant Secretary for Medical Program Management in the Department.

BUDGET COSTS

As the chairman pointed out, the budget is in excess of $9.4 billion, an increase of about $2 billion, most of which is accounted for by a change in the accounting system. As the chairman also noted, more than half of our costs go to personnel support, about 40 percent to operations and maintenance, and the remainder for construction and other costs.

STATUS OF MILITARY HEALTH CARE SYSTEM

After spending more than 20 years on active duty in the Armed Forces, and nearly that long in the civilian health care sector, I feel that I can say without any reservations that the military health care system today in this country is the finest of its sort anywhere.

It compares with the very finest quality of health care that is delivered even in the great teaching institutions in this country. We give good care, both to our soldiers and their families, and to the retired members of the services and their families.

The leadership in the military medical services today, with the three Surgeons General who are presently in office, is the finest leadership that the medical services have ever enjoyed.

HEALTH CARE MISSIONS

We have in military health care two major missions which are closely intertwined. The first and the primary mission, obviously, is the support of our combat troops, whether in peacetime, in preparation for war, or in conflict.

Our second mission, closely aligned to that, is to deliver the finest possible quality of health care to about 10 million potential users of the system in the form of dependents, retirees and their dependents, and survivors of our military members.

There are a number of issues connected with both of those missions, and I would like briefly to touch on those.

Our primary mission of supporting combat troops relates directly to the principal issue facing us today, and that is the issue of the state of our medical readiness. Over a 10-year period, or longer, our stores of medical equipment and supplies positioned around the world were drawn upon during the Vietnam conflict. In certain areas they were largely depleted.

READINESS OF MEDICAL PERSONNEL

My predecessors became aware of a marked deficit in our readiness posture, and as a result the services have made significant advances in improving the readiness of our medical people to deliver the service that is their primary responsibility.

In that connection, we are in the process of developing agreements with the Veterans' Administration which can supply us with as many as 30,000 additional beds almost overnight in the case of conflict. A second major achievement of the health affairs in the services has been the development of the civilian/military contingency hospital system whereby over 700 hospitals in the United States have committed to our use, if necessary in a national emergency, a total of 61,000 beds over and above what we currently have available in the system.

CONSTRUCTION OF HOSPITAL SHIPS

In addition to that, as you probably know, we have signed contracts to begin the construction of two hospital ships, each with 1,000 beds, 12 operating suites, and the finest technology, to be able to deliver the finest health care to soldiers, sailors, marines, and airmen near to where needed.

We still recognize that there are very serious deficits. The Secretary, Mr. Weinberger, ordered a very thorough investigation and survey of medical readiness in both the European command and throughout the Pacific. Those studies show that if we were to engage in a major armed conflict today, as many as three-fourths of the people wounded in the early days of such a war would not be able to be given the kind of stabilizing, life-saving, hemorrhage stopping, immediate surgical care they should have within the first 6 to 8 critical hours after being wounded.

We are working to enlarge the number of people that we can serve, but doing so requires both increases in medical personnel and increases in the operating rooms where those medical personnel can do their work.

Senator **Inouye**. Dr. Mayer, may I interrupt you?

Dr. **Mayer**. Surely.

CARE DURING EARLY STAGES OF CONFLICT

Senator **Inouye**. Did you say that three-quarters of our men will not receive proper care?

Dr. **Mayer**. At the outset of a conflict, given casualty estimates of conventional type ground warfare, we expect that given the numbers of casualties that can be generated on day 1, day 2, and day 3 of a major conflict, given the number of surgeons, orthopedists, anesthesiologists, and operating rooms for those people to work in, that as many as 75 percent of the soldiers in such a conflict would not in the early stages get the kind of care that we believe they must have.

PREPOSITIONED MATERIALS

Senator **Inouye**. What would the situation be if you had the prepositioned materials that you had before the Vietnam war?

Dr. **Mayer**. It is a little hard to give an exact answer to that question; but certainly if we had the amount of prepositioned medical material, arrangements with host nations, and a large enough reserve and ability to rapidly deploy our surgeons and their supporters overseas, then we could improve that situation mightily.

Of course, any prediction about the nature of a war is at best an informed guess. We don't believe, however, that there will be a long leisure period during which we can mobilize. We believe that we may need people at the very beginning of any new conflict.

We should be able to replace at least what we had before Vietnam, which drew down on our supplies; and because of the newer technologies and the newer measures that we have at our disposal now to save lives and limbs, we need a far greater increase in our deployed medical equipment than we have been able to achieve.

We have a plan over the next 5 to 7 years, allowing for the fact that it takes 2 years or longer to procure medical equipment, once ordered, that will bring us to a state of acceptable medical readiness throughout the whole world.

Then, of course, our commitments are so widespread that it is going to be an expensive proposition because there is a limit on what can be drawn down in Europe if needed in Asia, and vice versa. We think that for $2.5 or $2.6 billion over the next 5 to 6 years, we could achieve a good state of readiness.

Senator **Inouye**. Where does this proposal stand in the order of priorities?

Dr. **Mayer**. It is written into the program objective memorandum of each service, and it is in the 5-year defense plan. So each year, of course, that portion identified to be accomplished is reviewed in keeping with what the realities of the budget will allow.

I don't think that one can say that anyone consciously gives the health care system a low priority, but clearly it hasn't achieved the level of priority that the doctors would like. We don't think that we can do our job unless higher priority is given.

We are currently pursuing priority attention to medical readiness in the Department's budget process which, as you know, is in progress at this moment.

Senator **Inouye**. Thank you.

HEALTH AGREEMENTS WITH HOST NATIONS

Dr. **Mayer**. In addition to deployable units, we need an increasing number of agreements and arrangements with host nations, both to share medical resources and to preposition medical supplies and equipment, and entire hospitals overseas.

Finally, we need to pay very careful attention to preserving the incentives for recruitment and retention of the specialists that we so badly need in order to do our job.

In connection with the other mission of military health care systems, the managing of the peacetime system, both for the active uniformed people, their dependents, and the retirees, there are a number of issues of considerable importance.

It has to be noted that that demand for good service goes on 24 hours a day, 7 days a week, all over the world as we take care of this large number of people who are entitled to use our services.

The sheer size of the organization makes it a very difficult thing to manage, and it is a major issue. There are about 480 fixed medical facilities of one sort or another scattered throughout the world. That, coupled with the large CHAMPUS workload, costing $1.4 billion this coming year, presents a management problem that has never adequately been addressed. I will get to that in a moment.

There is pressure continuously for us to take on new technological developments, new procedures, and new equipment which are available elsewhere in the community.

One example is nuclear magnetic resonance diagnostic devices, the new technology that is connected with liver, heart, and lung transplants. They are prohibitively expensive, and yet within our grasp and something that our beneficiaries are entitled to.

DENTAL BENEFITS

There is pressure for additional benefits. As you know, for years there has been growing interest in adding a dental benefit to the health care program that our people now have. The dental benefit has been very carefully examined. We know that even a minimal kind of program would cost at least $80 billion a year——

Senator **Rudman**. How much did you say?

Dr. **Mayer**. $80 million, I am sorry.

Senator **Rudman**. Thank you.

Dr. **Mayer**. Thank you, Senator.

Senator **Rudman**. We get used to it. On this subcommittee, we handle numbers of that type with the greatest of sophistication. They don't bother us at all. When you said $80 billion for the dental plan, I was going to say that the teeth out there must be in worse shape than I thought. [Laughter.]

Dr. **Mayer**. Actually, that is a really super dental plan.

It would cost as much as $450 to $500 million for a comprehensive and complete dental care program. In today's fiscal atmosphere, with the huge deficits and the problems we have in getting enough money together for major weapon systems and major social programs outside of the service, it doesn't seem likely to me that we can come up with the money for a dental program at present.

There is also pressure to add other kinds of services, including chiropractic care, which as you know is not yet accepted by the medical profession as a legitimate medical activity.

There is pressure for construction of military medical facilities in the continental United States. We have a number of facilities here that clearly need replacement, but that bill is going to be about $500 million next year. The issue and problem is balancing the imperatives of doing that construction versus the imperatives of improving our medical readiness situation.

DEFENSE ELIGIBILITY ENROLLMENT REPORTING SYSTEM

Another issue in managing this huge health care system has to do with information systems. As you may have heard, we have developed a Defense Eligibility Enrollment Reporting System, called DEERS, which will ultimately include all people entitled to service. It will make it possible to weed out immediately those people who are fraudulently using the services.

This eligibility enrollment system is a very complex one, but it has progressed exceedingly well over recent years. We are now denying care to people who falsely allege that they are active duty members of the service entitled to such care either in the CHAMPUS Program or in the Military treatment facilities.

With this system already we are picking up so many people using the system fraudulently that we expect to save between $20 and $30 million the first year just on that reporting system.

Another information systems issue facing us has to do with the growth throughout the health care arena, civilian and military, of the medical information systems within hospitals.

TRIMIS PROJECT

We have had a system called TRIMIS, the Tri-Service Medical Information System, in development for more than 10 years. We have expended an enormous amount of money on this program, and it has not yet produced the results that I would like to see. We want to put computer technology at the service of the health professional to facilitate the service deliverer's ability to give service to larger numbers of people with less confusion.

I have called for a complete review of the TRIMIS Project, and we are being assisted by the General Accounting Office and the Inspector General, in looking over the management of the system and the amount of expenditures. It is my intention to improve and put that system in place in the shortest possible time, hopefully within the next 2 to 3 years.

Senator **Rudman**. Dr. Mayer, let me interrupt you for a moment.

Dr. **Mayer**. Surely.

DESCRIPTION OF PATIENT MEDICAL INFORMATION

Senator **Rudman**. Just explain to us. We all understand information systems. Just explain to us the character of the information. What does this system do if you put it in plain language, just very briefly?

Dr. **Mayer**. Very briefly, when a patient presents himself or herself at an outpatient clinic, and that patient has had previous care there, has, in other words, a medical history as we all have, the doctor who sees that patient should be able, without going through all of the record or to the record office, without calling the pharmacy or the laboratory, to have printed out almost instantly that patient's major diagnoses in the past, the patient's current laboratory findings, and any medication that the patient is on, so that the doctor doesn't prescribe something that is incompatible.

He should know, in brief, in an encapsulated simple version, that person's whole medical history. This would greatly facilitate the patient's history-giving to the doctor. It would greatly facilitate the doctor's skill in being able to determine what is likely to be the problem at this point.

It would make a higher safety level possible now that we have so many different chemicals and drugs in current use. It would make possible assuring safety from incompatibilities among those drugs. It would enable the doctor to record immediately his or her impression about that person without developing longer medical records within the pharmacy.

The pharmacy itself, in order to be able to manage its inventory, which is very complex, of course, in a pharmacy, a great many dated items, and a great many very sophisticated items, could keep an inventory system, a record on every patient that was instantly available so that even if the doctor didn't pick it up, if the pharmacy has a record of the patient having a drug that is incompatible, that would be spotted immediately.

Senator **Rudman**. Let me just interrupt again at that point.

TRANSFER OF MEDICAL RECORDS

Is this going to be a centralized data base?

Dr. **Mayer**. No, sir, each hospital should have its own.

Senator **Rudman**. What happens when the airman transfers from Ramstein, after he or she has been there for 3 years, to some airbase on the west coast? Does a data base follow them? Does the disc go with them? How do you do that?

It is easy to do that, and that is what they have in my hometown. When I go to my hometown hospital for anything, they have a data base. They have that system. It is easy. I live there, and most of us like to stay in New Hampshire. We don't move around too much. So that data base stays there. If I were to go to a hospital here in Washington, they don't have that data base at all.

What do you do when you have a fluidity, and patients don't stay any place very long because they are on the move. How do you make the system work when you have that kind of a population?

Dr. **MAYER**. That, obviously, is one of the major challenges to the development of a good system.

What we will probably develop is that when a person comes into the service and spends the first several years in one area, that service member, and family, will be developing a data base at hospital X. When that person is transferred to another location, then the hospital at the other location has got to be able to tap in, through the telephone lines, to the data base at the original base.

Then, of course, there will be a duplication because whatever information is brought into the new location will sum up what is in the original data base, and will provide a data base right there in their computers for the health care providers in that new location.

Your question, of course, illustrates beautifully why the system is so complex, and why it is important that these military treatment facilities have compatible systems, or at least systems that can tap into a system in another hospital.

BASE TO BASE TRANSFER OF MEDICAL RECORDS

Senator **RUDMAN**. With technology today, it is very simple for a hospital in Germany to tap into a phone line at Pease Air Force Base in New Hampshire and get a medical record. I would hope that any system that the services design will have that kind of compatibility, or else we are pouring money down the drain.

Dr. **MAYER**. That is right. That is why we have spent a great deal of time, effort, and money so far in trying to come up with a system that will do that, and without trying to shoot for the Moon with an absolutely perfect one.

It will never be so good, I shouldn't think, that I could push a button in my office and get patient data from Pease, Letterman, or from wherever I want, even though that is a theoretical possibility. Again, much of our laboratory work now is automated and computerized. Great masses of information are generated, and it is necessary to have that immediately available.

That system is under very close scrutiny. We believe that by borrowing from some of the progress that the Veterans' Administration has made in its system, which is fairly new and also has been under development for some years, and by capitalizing on what they have learned and on many of the commercial systems that exist out in the community, we will be able to come up with something that will serve our needs.

COST CONTAINMENT

There are other issues that are of great importance to us. One is cost containment generally. As you know, the cost of health care escalates faster than the general rate of increase in expenditures. One of the legislative initiatives that we support has to do with something called "coordination of benefits."

Essentially, about 15 to 16 percent of our beneficiaries are dependents who are also covered by civilian health insurance, largely because they are employed and are covered by their employers.

Most civilian health insurance, as far as I know, specifically refuses to pay for any care given in a Federal health facility.

It means, essentially, that if a dependent wife has a job downtown, is covered by medical care, and goes out in the community for it, that insurance company pays for it. If she comes to Bethesda, Walter Reed, or Malcolm Grow, they won't pay for it. It means that, essentially, our people are subsidizing to some extent the private insurance companies which cover these people.

We are proposing that the exclusionary clauses in health insurance policies which forbid payment for care in a military medical facility, no longer be permitted. CHAMPUS accounts for only 40 percent or less of the hospitalization of the dependent population. In CHAMPUS alone in 1983 we collected over $200 million in insurance payments for those people. If we could extend that to the 16 percent of dependents who get their care in military treatment facilities, we expect to be able to recover in excess of $200 million a year.

While the insurance companies have lobbied very strongly to prevent this bill from being passed, claiming that it would raise the premiums for everybody in order to pay for this segment, that is no less fair or no more unfair than causing the military population to subsidize the insurance coverage of all the other people. The military population is really a very small part of the total insured population. Therefore, it shouldn't result in a very significant increase in premiums for everybody else.

A second cost containment initiative that we are dedicated to is a change in social security legislation which would require hospitals that accept medicare patients, and therefore bound by the diagnostic related groups method of reimbursement, to also accept CHAMPUS patients on the same basis.

If the hospitals believe that they are not going to make sufficient income under DRG's for those patients on medicare, the fear is, of course, that they will shift costs to people with other insurance plans, including CHAMPUS. If CHAMPUS, as another Federal medical program, enjoyed the same reimbursement system as medicare, then our savings would be at least $200 million a year, conservatively, at the very beginning.

Senator **Rudman**. That provision, Dr. Mayer, is in the Senate bill, the authorization bill which is now on the floor of the Senate. The House bill does not contain that. I don't have any idea whether it will survive on the floor, or whether anyone is trying to take it out, but it is on the Senate floor.

Dr. **Mayer**. Of course, my purpose in bringing it up is to solicit your support for that measure.

We are also trying the employment of health maintenance organizations, provider organizations, and other measures that have been experimented with and are still being tried throughout the national health care scene.

QUALITY ASSURANCE

Another major issue in the management of this huge peacetime health care system that we are running has to do with quality assurance. Failures in the quality of care or alleged malpractice incidents that have occured in the military tend to get far more public attention, in my experience, than they do in the civilian sector.

For one thing, probably most allegations and claims in the civilian sector are settled without ever going to court. But when a mishap occurs in the military treatment facility, it gets tremendous attention, and for that reason I have strengthened my own office staff dealing with quality assurance. We are giving it a very high priority. I have put a very experienced physician in charge of quality assurance measures.

We have issued a number of directives that have not always been happily received by our doctors, dentists, and nurses who are practicing because of the implication that their practice is not up to snuff. The fact is that the great majority of our health care providers have accepted our quality assurance measures and they are paying a great deal of attention to the credentialing of newly arrived providers.

We have moved to requiring licensure of any health professional that in the civilian world would be required to have a license. We are putting a great deal of emphasis on the fact that the commander in the military hospital, unlike a manager or a hospital administrator in a civilian hospital, is personally involved and personally responsible for the quality of care of the men and women he commands as part of his staff.

So we are requiring that the steps that the commander takes, when there are allegations of misconduct of any kind on the part of the health provider, follow a very carefully laid out process. Authorities at the next level are properly and promptly informed with great care for the due process issues involved; the individual who is alleged not to be performing up to snuff is presented with the charges; we take decisive, reasonable, careful steps to make sure that our people are providing the very finest, highly ethical, excellent care that is available any place.

PREVENTIVE MEDICINE

Finally, an area of particular interest to me and to our office is the area of health promotion and disease prevention, preventive medicine, if you will. We have given this a very high priority.

There have been a number of initiatives from the Department of Health and Human Services with which I am very familiar and very interested in. I have found that in order to do this kind of thing, which has yet to achieve the status of well-defined scientific undertaking, it is necessary that we examine, using the traditional methods of epidemiology and medical intelligence, exactly what it is that we are able to do in order to increase the positive health status of our members, to prevent preventable diseases, to sort out, if you will, those activities that are legitimately the province of health care professionals and those activities that are more properly the province of personnel people and commanders as they develop physical fitness programs.

ALCOHOL AND DRUG ABUSE

We are also, in that connection, greatly involved, as you know, with the problems of alcohol and drug abuse in the Armed Forces.

We have seen tremendous success. The services have instituted programs such as our urinalysis program. It was fraught with controversy in the early stages in trying to get a consensus of scientists on an absolutely reliable test. Of course, no human test is perfect or totally reliable. To get a set of tests that made it possible for us to correctly identify people who were using drugs, and yet not violate the rights of people in any questionable status with respect to drugs, was an agonizing process.

We have established a good system. Our laboratory methods of keeping samples under very close control so that there is no chance of them being switched and the validity of the test we are using has improved to the point that we are very confident that this urine testing program is excellent. As a result, we have seen a very marked dropoff in the use of illicit substance by service members.

There continues to be a significant problem with alcohol, the disease of alcoholism, and the effects of alcohol abuse. We are in the process of developing some more specific requirements within the Armed Forces.

Many of the service commanders have themselves deemphasized alcohol, happy hour, the half-priced drinks, and encouraging the use of booze as the reward for outstanding achievement. We are emphasizing a return to more family orientation where alcohol may play a part, but is not the dominant theme.

We are resisting the sponsorship by liquor or beer companies of events on military bases. We don't want to encourage or take part in the marketing of a substance that clearly can produce very serious dangers when people are handling high explosives, weapons, and supersonic airplanes.

Our alcohol program is getting new emphasis, and we think that it is going to be very successful. We are moving in the direction of requiring that the drinking age on military posts be aligned with the drinking age in the community outside the military post.

I personally support the former Secretary of Health and Human Services and the Secretary of Transportation in the hope that the day will come when a 21-year-old drinking age will be universal in the United States. That, of course, is the prerogative of States themselves to determine, but it clearly is an indicated social measure.

FAMILY ADVOCACY

Along with our health promotion and drug and alcohol activities, we are very concerned with the program in family advocacy. Members of this committee have been highly instrumental in seeing that that program has a good start and is well underway.

I believe that the amount of money we have devoted to that program is adequate for this year and for next. I think that we have seen in that program a beginning revitalization of attention to the family as the core social unit, and to the military family as a member of the larger community in which that military base exists.

The family advocacy program makes wide use of existing civilian community resources. There is excellent interaction between our people and those in the community dealing with the same kinds of problems of child abuse, child neglect, and spousal abuse.

The amount of awareness in the community generally has greatly increased. This is partly because of our programs, and partly the awareness and alertness of our health professionals, particularly in primary care, in picking up signs which may only be picked up in an emergency room or in an outpatient clinic. The signs of such abuse have greatly increased. We have a demonstration of the family advocacy program which is an outstanding one going on in Hawaii.

HEALTH CARE MANAGEMENT

I would like to close with just a comment or two about an issue that has been raised over and over again over the last 35 years, and that is the overall management of health care in the Armed Forces, and the most recent investigation into it.

There have been over 27 separate studies of health care management since the 1940's in the Armed Forces. The last excursion into the area was a feasibility study of a proposal to establish a Defense Health Agency, perhaps patterned on the Defense Logistics Agency, the Defense Intelligence Agency, or other such agencies in the Department.

The study was directed by the Senate Armed Services Committee. It was very thoroughly looked at by staff in the Department of Defense as well as the uniformed services. Upon my arrival last fall, I made a very careful study of it myself, and listened to everybody that I could who had anything to say about it. People had a lot to say about it.

I believe, and I told the Secretary, that the establishment of a new bureaucratic layer, a new organization within Defense, was not a feasible solution in spite of the fact that the authors said that it was feasible.

I believe that the proposal excluded the Surgeons General from decisionmaking, particularly with regard to the military treatment facilities. I believe a great defect was not properly marrying up the peacetime and wartime mission. Finally, it separated the management of physical resources from management of people, and I just don't see how you can run a system with that kind of dichotomy.

I have proposed instead a reorganization and a reemphasis on the Office of the Assistant Secretary of Defense for Health Affairs, which is being staffed at present in DOD and is being looked at by the services and other elements in the Department.

That proposal, in my judgment, would make it possible to more actively involve the services in the management of the entire system, and not just the system within each service. We could do this without any kind of purple suit maneuver and without losing the identity, which is very precious and very important, of the individual medical services who relate to their chiefs of staff and the people they support.

I believe that there has to be a more centralized system for planning, for the development of requirements, and for management of whatever piece of the whole defense resource we are given to work with.

I think once that proposal is established at the highest levels of military planning, then the Surgeons General and I, as the senior positions in the Armed Forces, would be required to make those decisions that will balance most appropriately the needs of the peacetime system and the needs of the wartime systems. It has to be done with a lot of give and take. It can't be done with a loose committee structure. There has got to be within such a reorganization the assignmnt of clear authority and clear responsibility.

I believe that this is an enormous resource. With all due respect to the chairman's aplomb in dealing with huge numbers, $9 billion still seems like one tremendous amount of money. It seems to me that we have got to develop a system where the planning of the use of those resources is across the board. There is no such thing as an operation today that is not a joint operation involving more than one military service, so we all have to be involved in the planning.

The execution of those plans, I firmly believe, needs to be decentralized. The commanders need control of their medical assets. I believe that we can develop a process by which they have and continue to have such control of organic medical units within the infantry divisions, the medical services aboard ships, or the medical services attached to squadrons. Those things are precious, and they are something that the commander has to direct. They are one of his crucial support services.

However, the management of this great next echelon of support, regardless of what service it is, is going to take joint planning above the level of the individual unit commander. There has to be clear authority, clear responsibility, and clear accountability for the use of that money.

My proposal may not succeed. It is only the latest in 26, or 27, or 28; but I don't think that we can afford to wait much longer before we come to a state of medical readiness that is minimally acceptable. We don't have any guarantees that we have that much time.

We are the only part of the military that is designed not for destruction, but for repair of what is the ultimate weapon in any military organization, and that is the man or the woman who is doing the actual fighting.

[The prepared statement of Dr. Mayer follows:]

PREPARED STATEMENT OF HON. WILLIAM MAYER, M.D. ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)

GOOD MORNING MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE.

It is a pleasure to be here this morning, to discuss the Fiscal Year 1985 medical budget request for the Department of Defense. With me today is Mr. Ted Wood, the Director of OCHAMPUS and the acting Deputy Assistant Secretary of Defense for Medical Program Management. Today I would like to review this year's budget request and discuss some of the key issues facing the military medical system.

The fiscal year 1985 budget request for DoD medical operations is $9.4 billion, which includes approximately $3 billion for the Army, $2.4 billion for the Navy, and $2.5 billion for the Air Force. The CHAMPUS budget is $1.4 billion. More than half of the total health budget goes toward personnel costs, and over 40% is appropriated for operations and maintenance. The remainder is appropriated for military construction, research, development, test and evaluation and other procurement.

I would first like to say that the military health care system is, in my opinion, one of the finest of its kind in the world. The care provided in military facilities is generally very good, and military health professionals are on the whole competent, well trained and highly dedicated. The three Surgeons General are superb officers and professionals, and provide outstanding leadership to the men and women in the medical services.

The primary mission of the military health care system is to support our combat forces in wartime. This entails developing plans and programs in peacetime that will enable us to meet the medical support requirements of any situation in which our Armed Forces may be needed. A second mission is providing high quality, cost effective medical care both in our military facilities and through the CHAMPUS Program. There are approximately 10 million potential users of the system.

I would like to review our recent progress in certain key areas, and discuss some of the challenges facing the military medical system today.

Improvements in Wartime Medical Readiness

In the years following the Vietnam conflict, our medical readiness posture had declined. There were several factors which contributed to this. During the Vietnam War, the military services were forced to use deployable medical equipment and supplies that were pre-positioned in other theaters around the world, and much of this equipment has never been replaced. Fortunately, after several years of concerted effort by the three Services, we have made some progress toward rebuilding our medical readiness to the level needed to meet possible future requirements. Following are some examples of this progress.

We now have an agreement with the Veterans Administration in a war or a national emergency to provide in excess of 30,000 beds for active duty military members. To supplement this, we have developed the Civilian Military Contingency Hospital System (CMCHS). CMCHS has become a cornerstone in our wartime strategy to care for combat casualties airlifted from the theater back to the United States. During a mobilization, the majority of our medical personnel currently staffing military hospitals in the U.S. would be shifted overseas to staff theater hospitals. This would leave our system with a serious shortage of beds to care for long term casualties unable to return to duty. The CMCHS was created to make up for this shortfall, by asking civilian hospitals around the country to voluntarily commit a specified number of hospital beds to the Department of Defense to care for American casualties.

Since we began implementing the CMCHS in 1979, more than 700 hospitals throughout the U.S. have committed over 61,000 beds to the program, far exceeding our initial goal. These civilian hospitals are making an important contribution to our overall readiness efforts, and the CMCHS greatly enhances our ability to provide quality care for American casualties returned from combat.

Another important readiness effort has been the Navy's hospital ship program. Last year the final contracts were signed to procure two complete hospital ships, each equipped with 12 operating rooms and 1000 beds. The Navy has not had a hospital ship in the fleet since 1973, and the addition of these two San Clemente class ships will provide a vital supplement to our medical forces in support of an amphibious operation.

The Services have also made progress in improving medical staffing in the Reserve forces. During a mobilization, more than two-thirds of the total military medical force will come from Reserve units, and the Services have been concentrating their recruiting efforts in this area. In 1981, Health Affairs established several recruiting programs aimed specifically at attracting medical professionals into the Reserves, and these programs have enjoyed considerable success. In the last year alone, more than 1,300 physicians and 1,150 nurses have joined the Reserves. We expect to continue to focus a large part of our medical recruiting efforts on building the Reserve forces.

We are actively pursuing sharing agreements with friendly nations to provide additional medical support to U.S. forces during a mobilization and to allow pre-positioning of critical medical equipment and supplies. These agreements are an excellent means of augmenting our medical readiness on a worldwide basis at relatively low cost.

Readiness Deficits: What is Needed

Even with this recent progress, our medical readiness capabilities are still far short of what could be required in a full scale conventional conflict. Our wartime planning scenarios have projected significant shortfalls in personnel and equipment needed to provide medical and surgical care to casualties, especially in the early days of a war. This could be a crucial factor in the success or failure of any future military operation.

To address these problems, Secretary Weinberger has ordered a complete review of overall medical readiness capabilities throughout the world. A review group composed of representatives of the three Services and members of my own staff conducted an extensive investigation into the state of readiness in the key theaters of Europe and the Pacific. The group addressed such issues as medical command and control, medical communications, arrangements with friendly nations for hospitalization and evacuation support, and planning for a medical response to terrorist attacks.

The review groups have now completed their work, and their recommendations should be available shortly. We expect their findings and recommendations to provide us with the information we need to make improvements in our wartime readiness capabilities in these areas.

One of the most critical readiness deficits facing the military departments is a shortage of deployable medical systems. We cannot depend totally on air evacuation of our casualties to hospitals outside of the theater. We must have better medical support within the combat zone to ensure that casualties will be in stable condition to allow movement to rear echelon care. Even though the Services maintain a number of hospitals overseas which can be expanded to accommodate additional casualties, deployable systems are needed to augment these hospitals and provide critical immediate care in the combat zone.

These deployable systems, which include air transportable clinics and hospitals, combat support hospitals, and mobile surgical units, range in size from 60 to 500 beds. They are stocked with equipment and supplies and pre-positioned in potential theaters of operation around the world. In recent years we have made some progress toward acquiring an adequate capability in this area. In the past several years, the three Services combined have acquired 43 of these deployable systems totaling more than 18,000 beds. These efforts need to be accelerated, however. We are working closely with the Services to standardize and procure more of these systems to ensure that we can meet our wartime requirements for immediate battlefield care.

Even with the Service's recent success in improving recruiting and retention in the Reserves, we cannot neglect the active duty forces. The active duty physicians, nurses, technicians and administrators who staff our military facilities will form the core of our medical force during any future mobilization. We need to preserve authorized manpower levels and encourage qualified health professionals to join and stay in the Armed Forces by offering adequate compensation and ample opportunities for career advancement.

The number one priority of my office is to correct these deficiencies in our medical readiness capabilities. The Surgeons General and I will continue to seek new ways to correct these deficiencies and ensure that we can fulfill our wartime mission. I look to this committee and to the Congress for support in these efforts.

Peacetime Responsibilities: Managing the Peacetime System

In addition to our primary mission of supporting our combat forces in wartime, the day-to-day responsibility of the military medical system is to provide high quality, cost effective health care to our active duty and retired military personnel and their families. This is accomplished through an extensive system of nearly 480 military hospitals and clinics throughout the world and the $1.4 billion CHAMPUS program.

A major difficulty that I face in managing this system is the prevailing perception that the system exists primarily to serve the peacetime needs of our beneficiaries. It is commonly assumed that in time of war the system can be easily converted to meet the needs of our combat forces, and that we should devote the majority of our efforts to developing an elaborate peacetime health system. This perception places added pressure on us to provide the most complete, technologically advanced medical care that is currently available. Our beneficiaries as well as our providers expect the latest services and equipment, such as liver transplants and nuclear magnetic resonance devices. These pressures make our task even more difficult as we attempt to allocate efficiently our resources between peacetime and wartime needs.

A good example of this is the issue of dental benefits. Adequate dental care is an important part of maintaining good physical health, and I firmly believe that our beneficiaries are entitled to a complete health benefit package. I am supporting a legislative proposal to allow active duty and retired dependents to receive space available dental care in our military facilities. In many areas, care in military facilities is the only alternative for some of these dependents, and I feel strongly that they should have access to quality dental services if they are available.

There is also a great deal of public support for adding a dental benefit to the CHAMPUS program. Current law allows only for care that is deemed necessary in connection with medical or surgical treatment. Unfortunately, the projected cost of adding full dental benefits is, and has always been very high. At the direction of this committee, we examined several alternative plans for providing a dental benefit to active duty dependents. The least expensive alternative has a projected cost of $82 million, and was strictly limited to children of active duty members under age 17. In the face of projected national deficits of nearly $200 billion, in addition to the medical readiness deficits that I have already mentioned, I cannot justify adding additional benefits at this time.

Another good example of this problem is the issue of chiropractic benefits. The Senate Armed Services Committee has inserted language into the FY 85 Defense authorization bill to add chiropractic services as a CHAMPUS benefit. The projected cost of providing these benefits is estimated at $68 million annually. In addition, the basic theory and efficacy of chiropractic services are questioned by the general medical community.

With the high cost of these services, I cannot justify adding this benefit given the severe fiscal constraints we are under at this time. Even if it were possible, there are a number of services which, if available, would benefit a much larger portion of our beneficiary population.

We are continually seeking ways to improve health care delivery in our facilities. Substantial progress has been made in recent years toward improving hospital management through the application of information systems and automated data processing. Our military facilities can use these systems to improve the efficiency of hospital operations and to improve on quality of care, and I fully support moving in this direction.

However, based on my own observations of our current efforts in developing this capability, specifically the Tri-Service Medical Information Systems (TRIMIS), I want to re-evaluate this program. I believe we can benefit from a close evaluation of other federal medical information programs, including those used by the Veterans Administration, as well as looking at systems which are available commercially. As a result, I have suspended all action on new TRIMIS contracts pending a close review of alternative systems.

Cost Containment

As health costs continue to rise at a rate significantly higher than the rest of the economy, containing costs within the direct care system and in the CHAMPUS program is a high priority within my office. We have a number of specific cost containment initiatives under development at this time, and I hope that I can count on this committee to support our efforts in this direction.

Recent surveys indicate that more than 15 percent of all patients in military facilities have some form of private health insurance plan. Most of these private insurers have a clause in their basic policies which exclude payment for care provided in a federal government facility. Consequently, even though many of our beneficiaries have private insurance, the government cannot collect from their insurance plans for services provided in military facilities.

Allowing the government to collect from these private insurers for care provided in military facilities would be an excellent means of raising revenue without affecting the level of benefits offered or requiring beneficiaries to purchase private insurance. This policy has been in effect in the CHAMPUS program for some time, and has resulted in a cost avoidance of over $200 million in 1983 alone. A legislative proposal to prevent private insurers from using the exclusionary clause with respect to military hospitals has been endorsed by the Administration in relation to H.R. 5372.

Another key cost containment effort would require civilian hospitals that participate in the Medicare program to also participate in the CHAMPUS Program. CHAMPUS now has the authority to reimburse civilian providers based on the same rates used by Medicare. However, if CHAMPUS begins using the Medicare reimbursement rates, it is anticipated that civilian providers will bill the beneficiary directly for all charges that CHAMPUS does not cover. This discrepancy will place added financial hardship on beneficiaries who are billed for the difference between the billed charges and the Medicare rates paid by CHAMPUS.

Health Affairs initiated a legislative proposal which is currently before the Congress to amend the Social Security Act to tie participation in CHAMPUS to participation in Medicare. This proposal would require all facilities that accept Medicare as payment in full to also accept CHAMPUS reimbursement as payment in full. I urge your full support for this legislative initiative, which will be an important step toward holding down the cost of health care in DoD.

We are also considering several alternative payment and delivery systems. One concept calls for enrolling military beneficiaries within a specific geographic area in one specific source of care, either the local military hospital or the CHAMPUS program. Beneficiaries would then receive all of their medical care in the program in which they are enrolled. In this way, each military hospital would have a well-defined population base, improving their ability to budget and manage their staff and resources, and ultimately reducing costs. We are currently reviewing a recently completed analysis of this concept by the Rand Corporation.

Other cost containment ideas we are considering include charging a user fee for services provided in the direct care system, and expanded use of alternative delivery systems such as Health Maintenance Organizations and Preferred Provider Organizations. We will continue to pursue these and other concepts as we seek to preserve the fiscal integrity of the military health care system without reducing the level of benefits we provide.

Finally, we are continuing our aggressive program to reduce waste fraud, and abuse in the CHAMPUS program. Using the Defense Enrollment Eligibility Reporting System (DEERS), a worldwide computer data base listing everyone eligible for military health care benefits, CHAMPUS can now identify individuals who file CHAMPUS claims and are not eligible for benefits. I have also decided to take the use of DEERS a step further and use the system to verify the eligibility of anyone seeking care in military treatment facilities. Beginning in October, anyone seeking routine, non-emergency medical treatment in a military facility will be denied care if their eligibility cannot be verified through the DEERS system. Through these efforts in CHAMPUS and in the direct care system, we believe that we can significantly reduce fraudulent use of military medical benefits by those who are not eligible, and ultimately save the taxpayer's dollars.

Quality Assurance

One of my primary goals in Health Affairs is to ensure that our beneficiaries are receiving high quality care from our military providers and in our DoD facilities. Recent efforts to strengthen the quality assurance system have focused on developing quality of care standards, toughening credentialling procedures, and improving the process of identifying and reporting providers and institutions performing below these standards. I fully support these efforts, and I feel that the military medical system now has one of the most stringent quality assurance programs in the country.

I have recently strengthened our quality assurance office in the Pentagon by placing responsibility for the program with a Deputy Assistant Secretary of Defense who is a physician, providing the program with added influence throughout the Department. My quality assurance staff now consists of a physician, a nurse, and a hospital administrator. In addition, each of the Services has a quality assurance office headed by a senior physician.

Although our quality assurance program has been in effect for more than two years, there are still some problems with quality of care in military facilities. A recent audit of six military hospitals revealed a number of instances where DoD directives and hospital accreditation standards were not being followed, particularly in the area of emergency room administration. My staff is reviewing this report, and we are working with the Services to correct these deficiencies.

We are also developing a new DoD directive that will require certain military health care providers to have appropriate licenses before practicing in military facilities. This new policy will ensure that all providers seeking to practice in DoD facilities meet minimum standards of competence as prescribed by that profession's licensing authority, and will bring us more in consonance with prevailing civilian requirements.

Preventive Medicine/Family Advocacy

This year I have re-evaluated our efforts in the area of health promotion, and we are now basing our program on more solid medical and epidemiological grounds. I have assigned responsibility for this area to a physician who is a preventive medicine and public health specialist, and we have begun to focus our efforts on identifying those medical practices which contribute to good health and advocating that our people incorporate these factors into their daily lives. We intend to encourage commanders and others within the military community to focus their attention on these positive health factors and on potentially harmful health practices.

The efforts of the Services to reduce alcohol abuse and eliminate the use of illicit drugs by all DoD personnel have had excellent results in the past two years. The most recent worldwide survey of U.S. military personnel showed a significantldecrease in the use of illicit drugs, particularly among young enlisted personnel. Much of this success can be attributed to our drug screening programs. We have overcome some initial problems with quality control at DoD urinalysis laboratories and we can now test for drug use with an extremely high level of confidence. The renewed credibility of these drug screening procedures, combined with the Service's tough punitive measures against anyone found using these drugs, form a strong deterrent against the use of illicit drugs.

Unfortunately, this survey also indicates that the Services continue to have problems with members abusing alcohol. Each of the Services have taken steps to educate their personnel on the hazards of alcohol abuse and "de-glamorize" the use of alcohol off duty. Additionally, we are taking steps to reduce intoxicated driving by military service members. Every year, more military members are killed in auto accidents than from any other cause. Of all these accidents nearly half involve a drunk driver, with a high percentage in the 17-24 age bracket.

In response, we are now considering a new DoD wide policy which would align the legal drinking age of military personnel with the legal drinking age of the state where that individual is based. With many states adopting a higher minimum drinking age, we feel this is an important step toward protecting our personnel from the hazards of intoxicated drivers.

Another key area in my office is our military family advocacy program. The military family is in a unique and sometimes difficult situation, with the transient nature of military service and occasional assignments to remote areas. We have become very concerned about problems such as child abuse and spouse abuse which may be related in part to this difficult situation, though as we know there are serious problems in the civilian community as well.

The office of Health Affairs has taken a more active role in managing the military department's family advocacy programs. We have recently set up a demonstration project in Hawaii to assist military bases with arranging referral and counselling services for families experiencing child and spouse abuse and similar family problems. We are also working with local base commanders in Alaska to arrange a similar program there. In this way, we hope to build on established family values and assist our military personnel in overcoming specific problems related to the military lifestyle.

Defense Health Agency

In 1982, the Senate Armed Services Committee directed the Secretary of Defense to examine the feasibility of creating a Defense Health Agency. After an extensive study of the issue, which included examining the success of similar DoD agencies, I have concluded that a Defense Health Agency is not the best solution to the problems facing the military medical system today. As I mentioned, our primary problem is a result of our two competing missions -- meeting our wartime readiness responsibilities and providing day to day care in military facilities in peacetime. In my opinion, the Defense Health Agency concept does not adequately address this problem, and in some ways actually intensifies it.

I have discussed with Secretary Weinberger my views on how management of the military health care system might be improved, and he has concurred with my analysis. We are presently circulating throughout the Department for review and comment a draft charter for Health Affairs which would improve our ability to effectively manage DoD medical resources. We are seeking a means to improve the entire military medical system without resorting to the creation of a Defense Health Agency, which could cause serious disruption among the military medical departments.

Conclusion

I have outlined here today some of the key issues facing the military health care system. We have set some ambitious, yet attainable goals. We must achieve the level of medical preparedness necessary to ensure that our combat forces will have adequate medical care in any contingency situation, anywhere in the world. In an era of ever rising health costs, we must seek new and innovative ways to efficiently manage the military health system and preserve the level of benefits that our beneficiaries deserve. We must demand excellence from our professional health care providers and in our military facilities, to ensure that our beneficiaries continue to receive the best possible care that is available. And finally, we must continue to emphasize the necessity of good health and preventive medicine, and intensify our efforts to build a strong military community.

These are a few of the challenges facing us in the coming months. The Surgeons General and I expect to work closely together to meet these challenges and fulfill our ultimate goals, and we need the support of this subcommittee and the rest of the Congress to be successful.

Thank you for your time, and I will be happy to answer any of your questions.

###

INTRODUCTION OF COMMITTEE MEMBER

Senator **Rudman**. Thank you very much, Dr. Mayer, for very excellent testimony.

I will have a number of questions for the record, which I would like answered, rather than go through all of those at this time.

I am going to yield now to my colleague, Senator Inouye, who I believe may have some questions for you directly before we go to the services.

Senator **Inouye**. Thank you very much.

RETENTION OF MEDICAL PERSONNEL IN SERVICES

A recent census of practicing physicians in the United States indicates that the average income before taxes is $99,000 a year. Obviously, the income posture on the outside is much greater than the income posture in the military. Keeping that in mind, I am constantly amazed at the number of dedicated men and women who stay in the service.

What are we doing to retain personnel?

Dr. **Mayer**. We are trying to make the practice of medicine and its allied sciences in the Armed Forces as attractive in every way as we possibly can to the dedicated professional, by increasing his opportunity for continuing education or giving him opportunities for a variety of assignments that lend color, interest, and adventure to his life.

We are trying to increase the attractiveness of military medical service by emphasizing those things that I, for one, found compelling when I stayed in the service for more than 20 years, and that was the ability to deal with a splendid segment of our population, the young people that we call upon to make such sacrifices in war, the ability to take care of people without regard for whether they could pay for the thing that they needed to have done, which is not to say that you can practice medicine without regard for the ultimate cost. Our physicians and others are becoming very cost conscious now, as we have seen what a terribly costly thing it is.

In general, though, the quality of leadership, the kinds of people that the services are selecting to be the commanders in their hospitals and medical units, on their ships and Air Force units, are some of the intangible rewards that are in the final analysis, as long as we pay a decent wage, the things that set military health care above all other such endeavors.

LIMITED CIVILIAN PRACTICE FOR MILITARY PERSONNEL

Senator **Inouye**. I believe most medical school professors who are physicians are permitted to maintain a very limited practice outside of the campus. Have you considered a limited practice for physicians who are in uniform?

Dr. **Mayer**. Yes, that subject has been considered and discussed at great length both in the Veterans' Administration and in the military health care system. A fixed policy exists in some countries' military systems with their people in private practice halftime. Since we expect our people to be on call or on duty 24 hours a day and ready for instant mobilization if we need them, we have no firm policy established with respect to allowing our physicians to supplement their income.

There are instances in specific settings and locations where a commander may decide that it is perfectly acceptable if one of his physicians works in a local emergency room, or does some well-circumscribed medical service, particularly if the community needs it, and is paid for that.

That, of course, should always be done with the clear knowledge of the commander and his agreement that it doesn't interfere with the duties of that health care provider.

CURATIVE/PREVENTIVE MEDICINE RATIO

Senator **Inouye**. A recent study, a most recent one, indicates that we in the United States spend more than $1,400 for curative medicine, I believe it is called, and about 50 cents per capita per year for preventative medicine. What is the ratio in the Department of Defense?

Dr. **Mayer**. I can't give you a concrete answer to that, Senator Inouye. I can find an answer for you.

Senator **Inouye**. It is not as bad as the outside world, is it?

Dr. **Mayer**. I don't think so, partly because we devote a substantial amount of our resource to preventive measures, and partly because it is absolutely necessary to have an army in shape physically at all times. How much could be considered health promotion and prevention has to do with exercise, rest, diet, and things of that sort which are not direct expenditures of the military health care system, but are parts of the normal command personnel system.

So comparing exactly how much we spend for prevention to how much we spend for cure could be difficult, but we would be happy to look into that and give you an estimate.

Senator **Inouye**. I was pleased to hear you testimony on the preventative aspects of military medical care. I was reminded of a Surgeon General's report where he listed 10 major causes of death, in which 7 could be handled rather easily, such as smoking and alcohol abuse, through exercise, diet. I noticed that you are touching upon most of them.

Dr. **Mayer**. Yes, we are.

Senator **Inouye**. I was pleased with the change of attitude in the boozing, but what are you doing about smoking, which I gather is the major cause of health problems?

Senator **Rudman**. I take that question personally. [Laughter.]

Senator **Inouye**. That is why I brought it up?

Dr. **Mayer**. In some locations around the world in the armed forces there are people who are advocating smoke ending.

We don't have an overall health care policy with regard to smoking at this time. There are a number of relevant proposals afoot, for example, to stop the sale of cigarettes in military commissaries, or more particularly in the military hospitals.

Most of our hospitals do not permit smoking except in very limited areas. As far as a national or services-wide campaign to eliminate cigarette smoking, we have not engaged in that at this point. Of more immediate fatal consequence is the drinking. More military members die from drunk driving accidents than from any other cause.

DENTAL CARE

Senator **Inouye**. I have been impressed with the reports suggesting that proper dental care would prevent many of the problems that humankind face in later years. Keeping that in mind, why don't we accelerate including dental care as part of the system?

Dr. **Mayer**. It is not that the system is without dental care. Of course, total, very fine dental service is available to all of our active duty members, and it is provided to them.

We are, with some conflicts within the services, supporting, on a space available basis, additional dental care to all of our dependents. Retirees already are entitled to this, but we support extending that to dependents wherever it is possible without interfering with the dental mission that already exists.

As I said, we are still interested, ultimately, in a much broader dental benefit. What is holding us back at this point is the usual thing, money. But we can expand the ability in some facilities, in some services, for part of the time.

We can take advantage of missed appointments. We can take advantage of mobilizations, in which a number of people are removed from the post for a while, to utilize our dentist's time more completely, even though on a less scheduled basis, for our dependents.

So there is no slacking off of attention to dental health. We have really made great progress in it. There is a good deal of preventive dental care that is given at this point now. We will not diminish our efforts in that regard, but a full dental care program must await sufficient funds to support it.

EFFECTIVE USE OF NURSES IN MILITARY

Senator **Inouye**. Obviously, cost containment is one of our major concerns. I have been long advocating in the civilian world that the medical care system better utilize nurses, nurse-midwives, and such.

Are we making good and effective use our nurses in the military?

Dr. **Mayer**. Indeed, we are. We have nurse-midwives on duty, and they are of great help in some of our obstetrical services. We do use nurse anesthetists, of course. Nurses have an increasingly important role in the management of the day-to-day activities on our wards and in our clinics.

Senator **Inouye**. Do they have the proper ranks, too?

Dr. **Mayer**. Yes, sir, I believe so. More of our nurses are achieving field grade rank than ever before.

Some of them are being given greater responsibility. For example, a Nurse Corps officer is in command of the naval hospital at Guantanamo Bay, Cuba. Another Nurse Corp officer is the regional medical commander for a portion of the United States under the Navy's new regional reorganization.

Nurses are increasingly included in policy level discussions in the management of hospitals. In general, I think the nurse in the armed forces is far better off and has much more access to positions of authority and responsibility than is generally true in the civilian system.

HOSPITAL BEDS

Senator INOUYE. Finally, on the matter of hospital beds. I was advised recently that in the Mediterranean area, we have less than 120 beds. Is that correct?

Dr. MAYER. That is approximately true, yes, sir. In the Mediterranean proper, we have a very small hospital in Athens, Greece and the Air Force runs that. The major hospital in the Mediterranean proper is the hospital in Naples, and it is a very modest hospital, as you know.

Senator INOUYE. In other words, we are just not prepared for any major catastrophe like the Lebanon massacre.

Dr. MAYER. If the Lebanon situation had involved ships at sea, particularly if patients were going to be transported by sea, we would have had no place to take them except Naples at this point. All three services are very interested in trying to increase our readiness capability, particularly in Italy, in Sicily.

Senator INOUYE. Would you give this committee a report on the hospital bed situation that exists today?

Dr. MAYER. Yes, sir, I will be very happy to.

Senator INOUYE. In the different theaters.

Dr. MAYER. Yes, sir, I will even provide you with maps and show you the exact locations of the number of beds, if you would like.

Senator INOUYE. Yes. I was more than mildly shocked that in all of the Mediterranean we had just about 120 beds, and in Korea, I believe we have just about the same number.

Dr. MAYER. We have slightly more in Korea, but not enough, no.

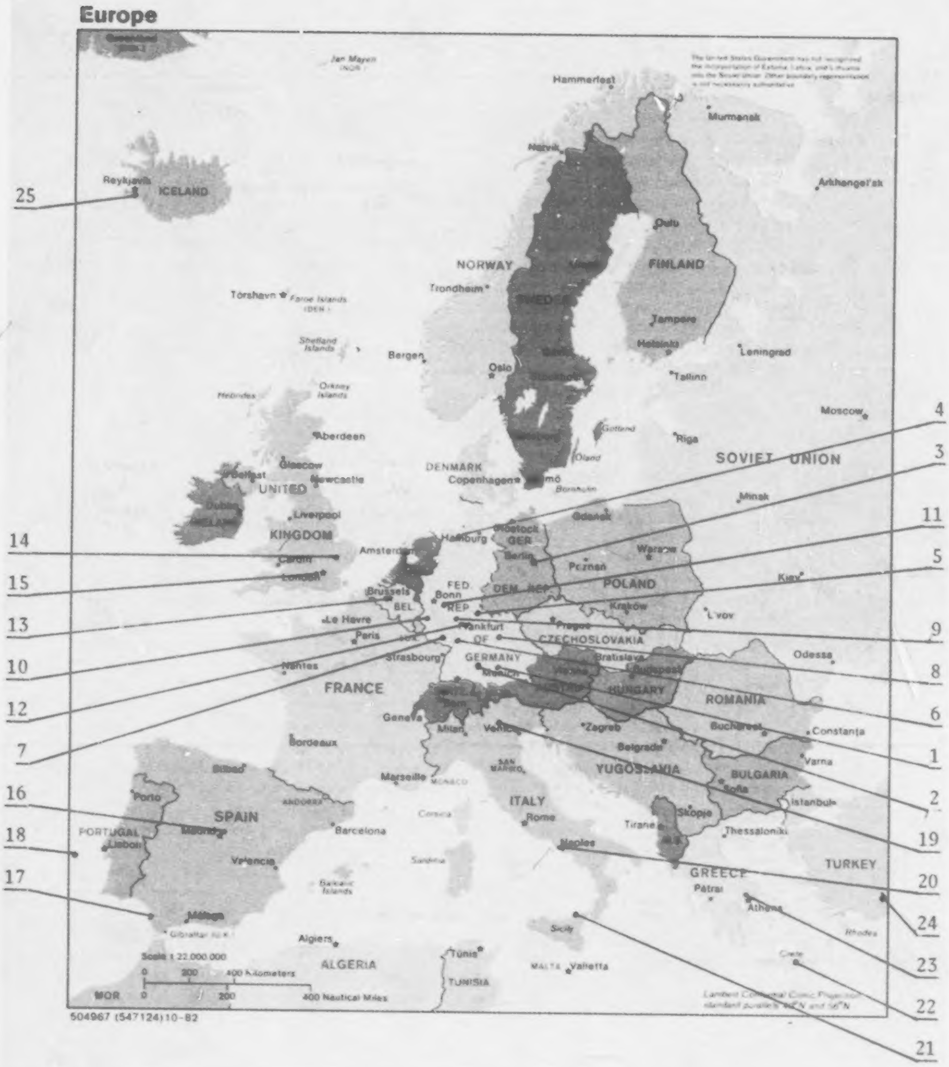
Senator INOUYE. Thank you very much, Mr. Chairman.

[The information follows:]

In-Theatre Hospital Beds

Europe/Mediterranean

	Facility	Operating Beds
	Germany	
1	Augsburg Army Hospital	95
2	Bad Cannstatt Army Hospital	125
3	Berlin Army Hospital	80
4	Bremerhaven Army Hospital	63
5	Frankfurt Army Hospital	300
6	Heidelburg Army Hospital	149
7	Landstuhl Army Hospital	350
8	Nuernberg Army Hospital	175
9	Wuerzburg Army Hospital	100
10	Bitburg Air Force Hospital	35
11	Hahn Air Force Hospital	20
12	Wiesbaden Air Force Medical Center	235
		1,727
	Belgium	
13	Brussels Army Hospital	25
		25
	United Kingdom	
14	Lakenheath Air Force Hospital	90
15	Upper Heyford Air Force Hospital	35
		125
	Spain	
16	Torrejon Air Force Hospital	45
17	Rota Naval Hospital	31
		76
	Portugal	
18	Lajes Field Azores Air Force Hospital	8
		8
	Italy	
19	Vicenza Army Hospital	20
20	Naples Navy Hospital	64
21	Sigonella Naval Hospital	5
		89
	Crete	
22	Iraklion Air Force Hospital	2
		2
	Greece	
23	Hellenkion Air Force Hospital	7
		7
	Turkey	
24	Incirlik Air Force Hospital	25
		25
	Iceland	
25	Keflavik Naval Hospital	8
		8
	Europe/Mediterranean Total	2,092


Europe
Jan Mayen (NOR.)
Hammerfest
Murmansk
Narvik
Arkhangel'sk
Reykjavík
ICELAND
Oulu
NORWAY
FINLAND
Trondheim
Tórshavn
Faroe Islands (DEN.)
SWEDEN
Tampere
Shetland Islands
Bergen
Helsinki
Leningrad
Oslo
Stockholm
Tallinn
Hebrides
Orkney Islands
Moscow
Aberdeen
Gotland
Riga
Glasgow
Öland
SOVIET UNION
Belfast
DENMARK
Newcastle
Copenhagen
Malmö
UNITED KINGDOM
Bornholm
Dublin
IRELAND
Liverpool
Minsk
Gdansk
Hamburg
Rostock
GER. DEM. REP.
Amsterdam
Berlin
Warsaw
Cardiff
Poznan
London
FED. REP. OF GERMANY
Bonn
POLAND
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Kraków
Le Havre
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Frankfurt
Prague
Paris
LUX.
CZECHOSLOVAKIA
Odessa
Bratislava
Strasbourg
Nantes
Munich
Vienna
Budapest
AUSTRIA
FRANCE
HUNGARY
ROMANIA
SWITZ.
Bern
Geneva
Zagreb
Bucharest
Constanța
Milan
Venice
Bordeaux
Belgrade
Varna
SAN MARINO
YUGOSLAVIA
Bilbao
Marseille
MONACO
BULGARIA
Sofia
Porto
ANDORRA
ITALY
Istanbul
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ALGERIA
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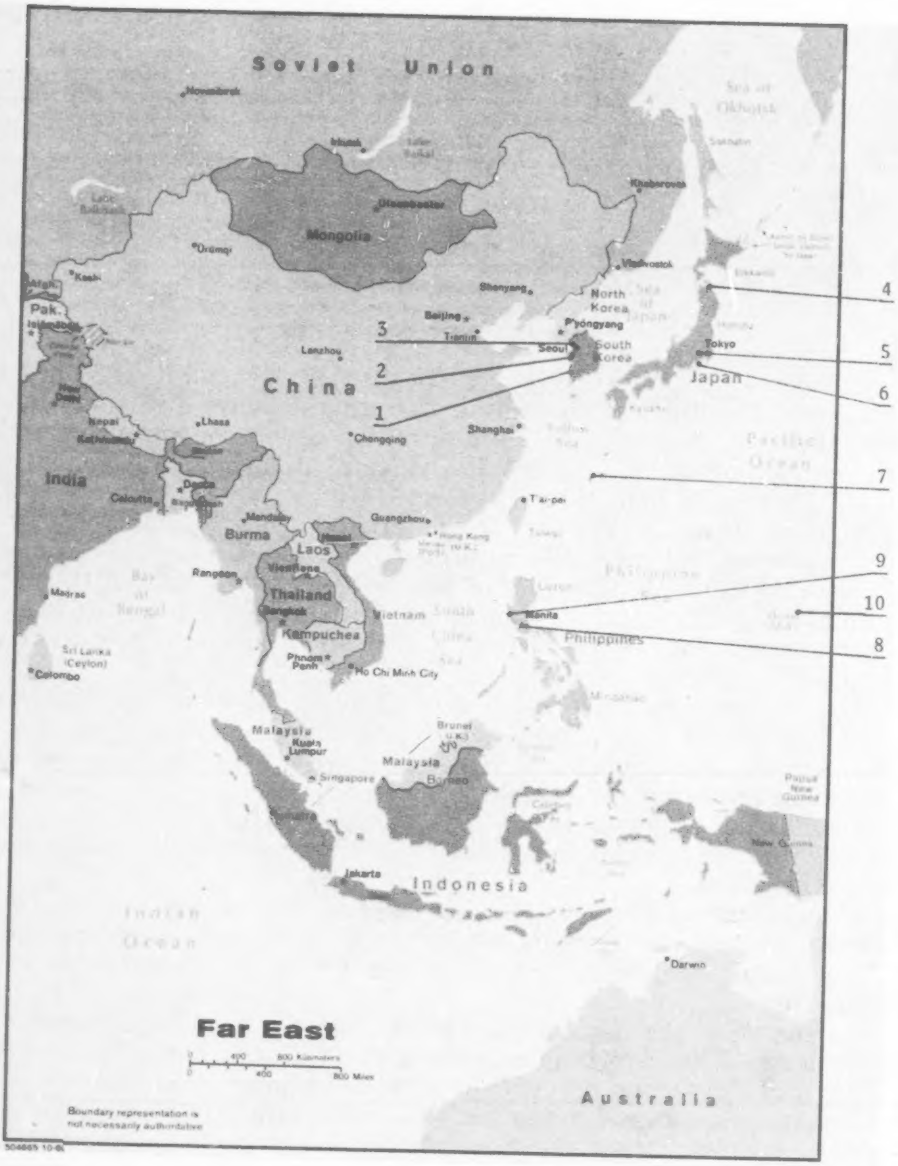
Far East

Facility		Operating Beds
Korea		
1	Kunsan Air Force Hospital	5
2	Osan Air Force Hospital	10
3	Seoul Army Hospital	145
		160
Japan		
4	Misawa Air Force Hospital	15
5	Yokota Air Force Hospital	35
6	Yokosuka Naval Hospital	63
7	Okinawa Naval Hospital	126
		239
Philippines		
8	Clark Air Force Hospital	170
9	Subic Naval Hospital	88
		258
Guam		
10	Guam Naval Hospital	61
		61
Far East Total		718


Soviet Union
Novosibirsk
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Nepal
Kathmandu
India
Calcutta
Dacca
Bangladesh
Bhutan
Lhasa
China
Lanzhou
Chongqing
Beijing
Tianjin
Shenyang
Vladivostok
Khabarovsk
Sea of Okhotsk
Sakhalin
Hokkaido
North Korea
P'yongyang
Sea of Japan
Seoul
South Korea
Honshu
Tokyo
Japan
Kyushu
Shanghai
Pacific Ocean
Taipei
Taiwan
Guangzhou
Hong Kong
Hanoi
Burma
Mandalay
Laos
Vientiane
Rangoon
Thailand
Bangkok
Kampuchea
Phnom Penh
Vietnam
Ho Chi Minh City
South China Sea
Manila
Philippine Sea
Philippines
Mindanao
Madras
Bay of Bengal
Sri Lanka (Ceylon)
Colombo
Malaysia
Kuala Lumpur
Singapore
Brunei (U.K.)
Malaysia
Borneo
Sumatra
Jakarta
Indonesia
Papua New Guinea
New Guinea
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The Department of Defense currently has prepositioned the following hospital beds for wartime needs:

	Army	Navy	Air Force	Total
North Atlantic Treaty Organizations	(deleted)	(deleted)	(deleted)	(deleted)
Northeast Asia	(deleted)	(deleted)	(deleted)	(deleted)

ON-DUTY HOSPITAL SHIPS

Senator **Rudman**. Dr. Mayer, just on that last point. If I am correct, and I could ask the Admiral from the Navy the same question, but you can answer, I am sure, we do not have any commissioned, deployed, on duty hospital ships at this time, do we?

Dr. **Mayer**. No, sir, that is correct.

Senator **Rudman**. We don't have any.

Dr. **Mayer**. We have two on order.

Senator **Rudman**. The fact of the matter is, it is part of the solution to the problem, only a small part of the solution but at least a part of the solution, if you expect tension in an area would not be unlikely.

For instance, had we had one of those ships, I am sure that the Chief of Naval Operations would probably have deployed one of those in the Mediterranean in the area where the Marines were. It would have been a reasonable thing to do.

Dr. **Mayer**. It does sound reasonable, and, of course, the arguments for and against naval hospital ships have waxed and waned over the years.

I had the privilege of serving aboard the naval hospital ship *Repose* during the Korean conflict, and I am well convinced that those hospitals provide a medical asset that is absolutely beyond compare.

In any case, the decision has been made for two ships, which are very large. They are tanker hulls. The first one should be ready in 1986, and the second one within less than a year after that.

Senator **Rudman**. I agree with you completely from my own personal experience that the naval hospital ships during the Korean conflict were very valuable.

I believe that is all that we have for you, Dr. Mayer. Thank you very much.

We have a bit of a time problem in that this room must be available starting at noon time to be set up for a major markup of our full committee. So I am going to call up the three services at this time, and proceed with them.

Senator **Inouye**. Mr. Chairman, may I request that I be permitted to submit additional questions?

Senator **Rudman**. Permission is so granted.

Dr. **Mayer**. I want to thank you for this opportunity, Mr. Chairman. This is a signal event.

Thank you, Senator Inouye.

INTRODUCTION OF SERVICES WITNESSES

Senator **Rudman**. Thank you very much, Dr. Mayer.

From the Army, Maj. Gen. Edward Huycke, Deputy Surgeon General; from the Navy, Vice Adm. Lewis Seaton, U.S. Navy Surgeon General and Director of Naval Medicine; and from the Air Force, Lt. Gen. Max Bralliar, Surgeon General.

Gentlemen, we do have a bit of a time problem. We have your statements. The entire statements will be printed in the record. I would appreciate it, if you would be able to summarize these statements for us as I expect that we have some questions for you.

General Bralliar, if you would like to start out, we will then continue with the panel.

U.S. Air Force

STATEMENT OF LT. GEN. MAX B. BRALLIAR, THE SURGEON GENERAL, U.S. AIR FORCE

MEDICAL READINESS

General **Bralliar**. Mr. Chairman, I will try and excerpt from my statement here in the interest of time.

Medical readiness is our first priority in the Air Force. And we are making progress. If you would permit me, I would say that the Air Force, in the central region of Europe today, could take care of approximately 35 to 40 percent of our expected casualties versus less than 15 percent, probably, 2 years ago.

We are deeply committed to prepositioning medical resource in the theater of operations. We feel that our mission in the Air Force requires us to be capable at hour one instead or a time for build up; however, it is too expensive to have an absolute turnkey wartime capability.

We have compromised by having prepositioned materiel in buildings of opportunity where we have core elements set up. By that, I mean the operating suites, the laboratories, and the x-rays, those parts of the facility that require electricity, water, and calibration for their early use.

We have the first such 500-bed contingency hospital operationally capable at Little Rissington in England. We also have a second 500-bed contingency hospital, 90 percent assembled there now. This will be followed on by Royal Air Force Upwood and RAF Nocton Hall in the United Kingdom, and Zweibrucken Krankenhaus in Germany, by the end of this year.

These facilities will be maintained and will be able to be in full operation within 5 to 7 days. My goal is to have them physically ready to go as soon as the people get there to staff them. We are looking at other areas to preposition these types of facilities, both in central Europe and in the Far East.

MEDICAL FACILITIES IN KOREAN THEATER

You have mentioned your distress about the Korean peninsula. We had programmed a 500-bed facility, with a 250-bed aeromedical staging facility, for a place called Kimhae, Korea. Unfortunately, the money for military construction that was required was not approved for this project.

We have not been able to find any buildings of opportunity in Korea in which we can preposition our medical assets.

BUILDING OF OPPORTUNITY

Senator **Inouye**. Would you describe "building of opportunity"?

General **Bralliar**. For example, RAF Little Rissington was an RAF fighter base that was used for pilot training. It was then used as a base for the Irish Guard. I found it vacant when I was the USAFE Surgeon, and the United Kingdom Air Ministry was going to dispose of it. Instead, they have leased it to us.

There are five large hangars and we will have 1,500 hospital beds, with 24 operating rooms, and all of the associated equipment located in those five hangers.

Senator **Inouye**. This is provided by the host country?

General **Bralliar**. We provide the maintenance. We didn't have to buy those facilities.

The Krankenhaus in Germany was a civilian hospital that had been replaced by the local hospital association. The German Government bought that hospital, and we lease it from them on a yearly lease fee.

Senator **Inouye**. There is nothing like that in Asia?

General **Bralliar**. I wouldn't say that there is nothing like that in Asia, but we have not been able to find anything in Korea. We have not been able to find anything in Okinawa. We have not been able to find anything in the Philippines, and we have projects for those places which require a military construction program.

The Koreans have given us the land at Kimhae. They did not provide a building, but as host nation support, they have provided the land. We will be required to build a facility or a mothballed 500-bed hospital with expansion capability, open it up, put the wards there and have that capability in place.

FACILITIES IN JAPAN

Senator **Inouye**. Have you checked with the Japanese to see if they are willing to pay for the construction?

General **Bralliar**. We have negotiated with the Japanese for facilities in Japan, and that has not come to fruition as yet. We are in negotiation with them for peacetime facilities, which they are reluctant to provide.

We have been in negotiation with other countries in Europe. We are almost sure that we have another facility in Germany coming on line perhaps later this year. The negotiations are in their final phase. We have been negotiating with the Portuguese, with the Italians, and with the Spaniards. If we can find these buildings, they are much cheaper, and we can preposition our hospitals. We are working on that problem with great vigor.

SPACE AVAILABLE DENTAL CARE

We are also concerned about your support for the space available dental care for our dependents. Air Force wide, approximately 13 percent of our dental visits are provided to dependents. That is almost exclusively overseas where dependent dental care is authorized on a space available basis.

We think that if this enabling legislation were passed, we could probably add about 5 percent more workload without infringement on the entitlements of the retirees or the active duty. It would give us greater flexibility to use unused dental time. We solicit your support for that.

QUALITY ASSURANCE

We have made great strides in quality assurance. Without going into all of the things that have been done, I would like to give you the trend that indicates that we are doing the right things in my view.

The number of congressional complaints against the medical services has decreased over the last 2 years. The number of malpractice claims filed has decreased, which is opposite to the trend in civilian medicine. The number of IG complaints regarding medical care has decreased in the Air Force. We view those three things as very good evidence that our quality assurance efforts are being appreciated by our patients.

FAMILY ADVOCACY PROGRAM

We too have participated with great enthusiasm in the family advocacy program. As you probably know much better than I, we are part of the Hawaii test program. The Air Force has been a part of that. We suggest that it is time for an unbiased evaluation to see if the Congress is getting the amount of value for the dollars spent in that program. The Air Force's contribution to that over the last 3 years has been $747,000. We think that it is a good program. We would like to have some documentation on how well it is doing.

I think that I will leave the rest because I think it has been covered very amply by Dr. Mayer. I would try to answer questions that you have.

Thank you very much.

[The prepared statement of General Bralliar follows:]

PREPARED STATEMENT OF LT. GEN. MAX B. BRALLIAR

SURGEON GENERAL

U.S. AIR FORCE

Mr. Chairman and Members of the Subcommittee:

I'm pleased to appear before you today to discuss activities of the Air Force Medical Service.

We continue to focus on the dual responsibilities of maintaining the health of the Air Force for maximum wartime readiness and providing a peacetime health care system for all beneficiaries. The current objectives of the Air Force Medical Service are sustained medical readiness, an effective quality assurance and risk management program, improved accessibility to care, increased productivity, expanded beneficiary services, and delivery of compassionate care.

Medical readiness is our first priority. We continue to make progress toward improving our capabilities for wartime. Investment in war reserve materiel (WRM) in 1978 was $17 million; this will grow to nearly $500 million by 1989. These dollars will procure 31 500-bed hospitals, 22 250-bed aeromedical staging facilities (ASF), 30 25-bed mobile ASFs, 142 2nd echelon units; 3 250-bed hospitals and 4 air transportable hospitals. Through FY 84, the following medical materiel was ordered: 15 500-bed hospitals, 16 250-bed ASFs, 30 25-bed mobile ASFs, 30 2nd echelon units, and 3 250-bed hospitals. These units are in various stages of procurement and assembly for shipment. As they are accepted, they will be pre-positioned at operational locations in the theater. The hospitals require approximately two years from time of purchase to placement.

Our medical wartime resource requirements have increased dramatically due to significant changes in the air threat facing our NATO forces. The Air Force is projected to receive heavy casualties early in a war as our bases are believed to be first strike targets. Due to the projected requirement for hospital beds at the onset of hostilities, our hospitals, equipment, and supplies must be positioned at their sites of intended use with their core area, such as operating rooms, set up for "turnkey" operation. The importance of pre-positioned hospitals is highlighted by the fact that 32 C-141B Starlifter aircraft are needed to transport a 500-bed Air Force contingency hospital to a selected overseas location.

We continue to seek existing buildings for purchase or lease from our host nations for storage of our equipment in peacetime and for use in wartime as casualty treatment facilities.

Significant improvements have been made in our theater assets in Europe and the Pacific. RAF Little Rissington, RAF Upwood, and RAF Nocton Hall in the United Kingdom and Zweibrucken Krankenhaus in the Federal Republic of Germany are being prepared as wartime operational sites. We are currently looking at other sites in Germany and several other countries.

Two sites for which we will be requesting military construction funds are Kimhae Air Base, Korea, and Torrejon Air Base, Spain. Each location is a major base where strategic and tactical airlift interface; Kimhae for the Korean Peninsula and Torrejon for the southern flank of the European Theater.

In the event of hostilities, staffing for our pre-positioned wartime assemblages will largely come from CONUS. We intend to deploy primarily active duty medical personnel to staff our pre-positioned assemblages in response to the peak casualty requirement anticipated during the early stages of a conflict. A significant number of Air Force Reserve and Air National Guard medical personnel would backfill CONUS medical facilities vacated by the deploying active duty medical force.

In fulfilling our missions, we operate 82 hospitals and 37 clinics. Our fixed facilities represent training and operational capabilities and are rapidly deployable resources; therefore, they are an integral part of our mobilization forces. Within CONUS, 36 Air Force hospitals have been assigned a casualty receiving mission.

Adequacy of manpower is a continuing concern. Overall staffing in all corps, measured against authorized peacetime strength, remains good. Physician staffing is approximately 96 percent of authorized; however, problems in the mix of physician specialities still exist. Our active duty physician shortfall measured against wartime requirements remains approximately one thousand.

We continue to work closely with the Department of Defense and our sister services in meeting our wartime requirements. We are building our medical readiness capability as fast as funding for manpower, equipment and facilities will allow.

Dependent Dental Care

Our ultimate objective is a comprehensive CHAMPUS-style dependent dental health care program which parallels that of medical care. In the interim, however, the Air Force strongly supports the provision of dental care for dependents on a space available basis. The option to care for dependents of active duty personnel will enable the Air Force Dental Service to make more efficient use of that time when active forces are not available for treatment. Currently, approximately 13% (454,064) of our total patient dental visits (3,544,212) are for dependents (excluding those receiving emergency treatment, children's preventive dentistry and medical adjunctive care). A change in law to allow space available care would expand the services to cover approximately 5% more dependents. Although this is a modest increase, there is no reason to expect the care for retirees to decline. Retirees generally require more specialized treatments such as periodontics and prosthodontics. Active duty dependents, being a younger group, require mostly preventive and restorative services.

Quality Assurance

The quality of care provided by the Air Force is at least equal to or better than that provided in the civilian medical community. This assessment is supported by Joint Commission on Accreditation of Hospitals surveys applying national quality assurance standards.

We have initiated numerous actions in the past few years to further ensure that quality health care is provided. We have some assurance that our efforts are productive. For example, the number of new medical malpractice claims is declining (FY 81: 287; FY 83: 262). Medical Inspector General complaints are decreasing (FY 81: 621; FY 83: 575). Medical-related Congressional inquiries are also declining (FY 81: 1,353, FY 83: 1,175). We are continuing to stress refinement of our quality assurance risk management procedures. We recently developed a revised Air Force Regulation 168-13, Quality Assurance in the Air Force Medical Service. This revision consolidates many of the directives on quality assurance/risk management. It implements standards of performance for DOD health care providers, strengthens the Quality Assurance/Risk Management Council role, expands guidance on the credentials and privileges process, redefines surgical case review, expands morbidity and mortality review, and provides numerous other guidelines.

We have established clearly defined criteria for monitoring quality assurance indicators at the local medical treatment facility level and for identifying and determining a practitioner's skills. In addition to these indicators, we have implemented an inpatient occurrence screening program at many Air Force hospitals to assure quality patient care. We have begun testing an occurrence screening program for outpatient care at three clinics. If successful, as anticipated, this will be implemented Air Force-wide.

Increased Productivity

Great emphasis is placed on productivity improvement. In comparing FY 83 with FY 82, there has been a steady workload increase. For example, clinic visits increased nearly 7 percent and admissions nearly 6 percent. In addition, referrals to CHAMPUS were reduced by 27 percent. This was accomplished with a 2.6 percent physician staffing increase and a one percent overall staffing increase. The first quarter of FY 84 shows continued improvement in productivity, and we are pleased at the progress.

Expanded beneficiary services, delivery of compassionate care, and improved accessibility of care are other Medical Service objectives receiving great attention. We opened or reopened services in 21 specialties at 37 facilities this past calendar year.

We are also contracting with civilian physician specialists to provide care for patients in Air Force facilities. We are continually looking for ways to make maximum use of our facilities and professional skills of our people.

Family Advocacy

The Air Force was the first of the military services to institute a service-wide child abuse and neglect program in April 1975. This program subsequently expanded to a Family Advocacy Program in November 1981. Ninety-seven percent of Air Force military treatment facilities (MTF) have a clinical social worker who serves as the Family Advocacy officer for the Family Advocacy and Children Have a Potential (CHAP) programs. Each regional hospital and medical center has a CHAP and Family Advocacy Area Regional Consultant.

Beginning in FY 82, the Defense Appropriation Bill has provided specific funds to the Department of Defense for family advocacy efforts. In that year, the Air Force share was $1.5 million. In FY 83, it was $1.6 million and in FY 84, it was $2.1 million. These funds have been and are being used to conduct family violence workshops, a tri-service demonstration project, and drug alcohol rehabilitation conferences. In addition, supplies and audiovisual information have been purchased for disseminating data for the family advocacy program. This is an important program which is hampered by our lack of additional social workers.

Other Actions

Our facilities are trying many innovative ways to fulfill the needs of our beneficiaries. Improved appointment systems, extended clinic hours, special screening or health days, and various patient education programs are only a few of the activities.

Our facility modernization program, integral to the achievement of all our Medical Service objectives, has continued to reflect the strong commitment by the Air Force to correct severe space shortages, to accommodate changes in the practice of health care, to incorporate significant changes in the fire and safety codes, and to create an appropriate patient care environment.

User Fees

In this austere financial climate, a recurring theme is the suggestion of a "user fee" for military beneficiaries for health services. I have great concern about the ramifications of this proposal. Health care has traditionally been ranked as one of the top institutional supports associated with military service and must be viewed as part of the total military compensation program. Charging military beneficiaries for care would be a serious erosion of benefits and adversely impact on morale and retention. The genesis of the user fee is the perception that great numbers of people abuse the system. That is just what it is--a perception. While some visits to military facilities can be retrospectively categorized as marginally unnecessary, based on a physician's subsequent determination of the patient's condition, the vast majority of beneficiaries take the time and effort to seek care based on a genuine concern that professional treatment or advice is required. Another major consideration is that a user fee could produce an offsetting CHAMPUS cost increase. For example, a user fee of $10.00 could cause numerous people to turn from military treatment facilities to CHAMPUS as the more desirable alternative with a disproportionate increase in government costs. Consideration must also be given to the cost of collecting the fee. Increased manpower to collect such a fee, security modifications and additional space, and supplies and equipment would conservatively cost approximately one-third of a $10.00 fee. I would hope that serious consideration will be given to all the ramifications of such a proposal before a decision is rendered on this sensitive issue.

Third Party Payee

The Air Force supports the Department of Defense legislative initiative to recover the cost of providing uniformed services medical care to nonactive duty beneficiaries having primary payor civilian health insurance. An issue critical to the success of such a venture is that monies collected be deposited in a separate management fund with each Service. This fund would also pay the costs of collecting these monies. The balance of the fund should be used, at the end of each fiscal year, to reduce the obligational authority of the services medical support budgets as approved by the Congress for the succeeding year.

We are striving diligently to fulfill the objectives we have established. Much of our success, especially in the readiness area, depends on Congressional support of our manpower, equipment and medical construction program requests.

I thank you for your understanding of our efforts and I will be happy to answer any questions you may have.

AVAILABILITY OF MEDICAL-RELATED AIRCRAFT

Senator **Rudman**. I think what we will do is have the other two members of the panel speak, and then we will have questions for all of you, if that is acceptable.

Senator **Inouye**. I would like to ask one question.

Hospital aircraft, medical aircraft, do you have enough of those?

General **Bralliar**. We have aeromedical evacuation aircraft, but we don't have primary treatment platforms in transit.

Senator **Inouye**. I ask that because I was advised that when the Lebanese catastrophe happened, the Beirut bombing, we were frantic because we didn't have any medical aircraft. Is that correct?

General **Bralliar**. I don't believe that is correct, sir. We have three C-9 aeromedical evacuation aircraft present at all times in Europe. We have C-141's in the theater that can be converted quite rapidly into strategic aeromedical evacuation aircraft.

Senator **Inouye**. That is just for evacuation, but not for care?

General **Bralliar**. Not for care, except for the care that is required en route by the flight crew, the flight nurses, in some cases with a flight surgeon, and with the medical technicians.

Senator **Inouye**. Thank you.

U.S. ARMY

STATEMENT OF MAJ. GEN. EDWARD J. HUYCKE, DEPUTY SURGEON GENERAL, U.S. ARMY

CONCERNS OF ARMY MEDICAL DEPARTMENT

General HUYCKE. Senator Rudman, and Senator Inouye. I am here speaking on behalf of Lt. Gen. Bernard Mittemeyer, the Surgeon General of the Army.

I am pleased to be here. I will be honest with you, I would prefer to be on the slopes of Tripler Mountain in Hawaii, with the good Senator, opening a new wing of that hospital, but we will get on with our business here. I would like to mention a few particular concerns of the Army Medical Department, and not speak directly to the things covered by Dr. Mayer or General Bralliar.

The Army Medical Department continues to pursue very aggressively its three principal missions: (1) to maintain our military force physically and mentally fit; (2) to ensure the timely availability of trained health resources for approved combat, mobilization, or contingency plans for the military forces; and (3) to provide a peacetime program of health services to all beneficiaries as currently authorized by law.

USER'S FEE

A concern of the Army Medical Department is a resurgent congressional interest in a user's fee for eligible beneficiaries of military care system. The Army strongly opposes the imposition of the user's fee, not only for its adverse impact on our recruiting and retention program, but also because of its potential to increase the total cost of providing medical care.

The user's fee also has the potential of encouraging dependents to use the CHAMPUS Program to meet their health care needs, and would possibly negate recent Army and DOD efforts to attract additional beneficiaries to the more cost efficient military system.

VETERINARY USER FEE

A similar serious concern has been the proposal of the imposition of a $10 veterinary user fee. At present it has been proposed that it be delayed until 1985. This fee can only serve as a serious deterrent to our animal disease prevention and control programs. The imposition of this fee will result in our soldiers not obtaining the veterinary preventive measures necessary to protect themselves and their families from disease.

Veterinary care is not free to the military beneficiaries. They pay a significant amount of the cost of the supplies used in the preventive programs of treating animals.

USE OF ARMY MEDICAL DEPARTMENT PERSONNEL

Briefly, I would also like to discuss the issue of the Army's policy concerning the use of Army Medical Department officers, to include physicians and dentists, in command and executive management positions. The central issue of utilization of Army Medical Department personnel in command positions is to assign the best qualified health professional to that specific position of command.

The AMEDD currently has 60 Medical Corps officers, 63 Medical Service Corps officers, 45 Dental Corps officers, and 8 Veterinary Corps officers, in the rank of lieutenant colonel or colonel, commanding hospitals, medical and dental clinics, other medical organizations, and field units worldwide. The 60 Medical Corps officers so assigned are commanders of medical facilities where patient care is a daily occurrence.

Assessing the quality of medical care, establishing their parameters of practice for health care providers, prioritizing medical equipment and procurement needs, and establishing and implementing patient evacuation policies are but a few of the issues which can best and most rapidly be solved by the officer who has the education and experience of a physician.

AMEDD READINESS

During fiscal year 1985 AMEDD will continue to place primary importance on enhancing readiness. The AMEDD can point proudly to recent readiness accomplishments such as Operation Urgent Fury in Grenada, the Mobile medical training teams in El Salvador, and medical support of large scale training exercises in Honduras.

We are also very proud of the work that has been accomplished by the U.S. Army Medical Research and Development Command in developing new vaccines, some of these through genetic engineering and molecular biology.

The AMEDD is constantly seeking means to provide more dental care to the soldier and to the family members. We also support very vigorously the proposal, we hope before Congress, that our Army Dental Corps be allowed, on a space available basis, to treat the dependents of our active duty families. We also have supported before this committee a proposal about other means which might accomplish such dental care.

ARMED FORCES HEALTH PROFESSION SCHOLARSHIP PROGRAM

The last one is the Armed Forces Health Profession Scholarship Program. It is absolutely vital to the Army as it represents a primary source of new physicians for our Medical Department. In fiscal year 1985, the Army will have authorizations for 1,450 scholarships. We plan to offer 350 new scholarships. The graduating class will provide 457 new physicians for active duty.

Unlike recruiting in a variable market, this scholarship program provides a long-range, stable, reliable source of medical officers. Most of the Health Profession Scholarship Program participants will receive their graduate medical education in the Army. As a result of this further training, we receive extended service from these physicians and we find them more positively motivated for continuing Army service with us.

In conclusion, I want to thank you personally for General Mittemeyer for all you have done to assist us, the Army Medical Department, throughout the years, and we hope for your continued wisdom and support of us as we continue on.

Thank you very much, Mr. Chairman.

[The prepared statement of General Huycke follows:]

PREPARED STATEMENT OF MAJ. GEN. EDWARD J. HUYCKE

DEPUTY SURGEON GENERAL

U.S. ARMY

Mr. Chairman and members of the Committee, I am Major General Edward J. Huycke, The Deputy Surgeon General, Department of the Army. I appreciate this opportunity to appear before your subcommittee to discuss the Army Medical Department (AMEDD) and its 1985 budget request. I acknowledge your continuing assistance to the Army Medical Department in the past and request your support in promoting our future programs.

The AMEDD continues to aggressively pursue its three principal missions: to maintain our military force physically and mentally fit; to ensure the timely availability of trained health resources for approved combat, mobilization, and contingency plans of the military force; and to provide a peacetime program of health services to all eligible beneficiaries as currently authorized by law. I am pleased to state that the AMEDD has continued to make significant improvements and will continue to do so in each of its assigned missions.

However, before discussing the ongoing progress in each of our mission areas, I would like to thank the Congress for their support in many ongoing issues and, specifically, for the legislative authority which enhances our cost containment efforts.

Provisions in the FY 84 Defense Authorization Bill changed Title 10, U.S.C. 4022 and authorized the use of personal services contracts for both physician and nonphysician direct care personnel. This new authority will allow the services to fill physician and other health professional shortfalls through contractual arrangements that are less costly than referring patients for care under the CHAMPUS program.

I ask for Congressional assistance in resolving three other specific areas of AMEDD concern. These areas are appointments of officers to the Reserve Components, the health care user fee, and the $10 veterinary user fee. The first problem concerns appointments into the Reserve Components of the Army and Air Force officers. Reserve appointments in the Navy are tied to Navy active duty promotions by their running mate system. Reserve appointments in the Army and Air Force are tied to the timing of permanent promotions which are codified in Title 10, U.S.C. 3359 and 8359. Higher phase points for appointment with Reserve Component duty are making it difficult for us to attract some of the experienced physicians we need in the Reserves. This issue was discussed in the January, 1984 report to Congress by the Assistant Secretary of Defense (Health Affairs).

As a temporary measure, Congress has established Captain as the lowest appointment grade for medical officers in the Reserves of the Army and Air Force. A permanent solution to problem would result from a section of the Department of Defense proposal for an OMNIBUS Officer Personnel Amendments Act of 1984. (The substantive phase of technical corrections to the Defense Officer Personnel Management Act). That section would allow reserve appointment of former officers in the grade they held at the time of their discharge.

Regular Component officers who voluntarily leave the service before qualifying for retirement are officers we would like to attract to Reserve Components. In most cases, these officers are highly motivated to retain their military affiliation and desire to become an active participant in the Reserve program. Because a new original appointment is required, these officers can in most cases qualify only for a grade lower than the grade they hold on active duty and, at times, actually lose two grades. We must be able to preserve their former grade. Corrective legislation was recommended by the Assistant Secretary of Defense (Health Affairs) in the January 1984 report and your aggressive support for the formation and passage of correcting legislation would be a great service to the Army Medical Department. This would clearly be a landmark decision to help us solve our reserve physician and nurse shortfall with officers who have served on active duty and who understand the Army's needs and missions. These officers would also serve as role models and leaders for those who have not served on active duty before but choose to join our Reserve Components.

The second concern is the resurgent Congressional interest in a user's fee for eligible beneficiaries of the military health care systems. Congressional support of a user's fee stems from a perception that the lack of any type of charge for outpatient medical care encourages nuisance visits and thereby wastes valuable medical resources. The Army strongly opposes the imposition of a user's fee, not only for its adverse impact on our recruiting and retention programs, but also because of its potential to increase the total cost of providing medical care. Studies of the impact of user's fees on civilian health maintenance organizations indicate that any reduction in outpatient utilization is more than offset by increases in more expensive inpatient care. A user's fee also has the potential of encouraging dependents to use the CHAMPUS program to meet their health care needs and would negate recent Army efforts to attract additional beneficiaries to the more cost efficient military system.

Another serious concern is the imposition of a $10 veterinary user fee. This fee can only serve as a serious deterrent to our animal disease prevention and control program. This program is an integral and very important part of our total human health care endeavor. Not only is this $10 fee higher than those in many civilian communities, but our enlisted soldiers, who comprise over 77% of the persons who use our military veterinary services, are not using civilian veterinarians because of the cost. The imposition of this fee can only result in our soldiers not obtaining the veterinary preventive measures necessary to protect themselves and their families from animal disease. This runs counter to preventive medicine principles. There will be a decrease in vaccinations, which will inevitably mandate an increase in the number of treatments of animal bite victims. Treatment costs, both military and CHAMPUS, will increase. The emotional and psychological stresses associated with that treatment is significant to both the patient and his family and, since the Army veterinary service is the sole veterinary service available within the Department of Defense, it will have a significant tri-service effect. Finally, the fee will be perceived by military personnel and retirees as an effort to eliminate another important medical service previously provided and adversely affect the morale of our troops. I firmly believe that the dollars programmed for recapture through such an unpopular program would be significantly less than anticipated because the soldier cannot afford such a fee and, as noted above, would avoid vaccination and care rather than pay it. I strongly urge this $10.00 user fee be rescinded.

The next several paragraphs deal with the issue of the Army's policy concerning the use of AMEDD officers, to include physicians and dentists, in command and executive management positions. These positions are defined by the Department of Defense to include administrative (command, senior staff, and senior management) and non-administrative but non-patient positions (teaching, field medicine, research and development, and consultants). Each of these areas will be briefly addressed.

The central issue to utilization of Army Medical Department personnel in command positions is to assign the best qualified health professional to that specific position of command. The assignment to command positions is not restricted to any one corps, but rather is based upon the specific qualifications and credentials of the individual officer to fulfill the specific needs of that command position. The AMEDD currently has 60 Medical Corps officers, 63 Medical Service Corps officers, 45 Dental Corps officers, and 3 Veterinary Corps officers in command of Lieutenant Colonel and above designated hospitals, medical and dental clinics, other medical organizations, and field units worldwide. The 60 Medical Corps officers so assigned are commanders of medical treatment facilities where patient care is a daily occurrence. The military physician, by virtue of his medical education and training and his progressive advancement in positions of leadership through the hospital structure, is the most qualified officer of the health care team to supervise direct hands-on care. With the ever increasing emphasis and appropriate concern for the delivery of quality care, this has never been of greater importance. Assessing the quality of medical care, establishing parameters of practice for health care providers, prioritizing medical equipment procurement needs, and establishing and implementing patient evacuation policies are but a few of the issues which can best and most rapidly be solved by the officer who has the education and experience of a physician. Additionally, and of equal importance, is the fact that each of these senior Medical Corps commanders also serves as the post surgeon and medical advisor to the installation or Army commander of the post where the hospital is located. The medical commander thus wears a double hat and has a responsibility that could hardly be fulfilled by an officer other than a physician. The same facts are equally applicable to the dental commander. Finally, it is noteworthy that significant improvements have been made both in the selection process and training of Medical and Dental Corps commanders. Specialty board certification and continued credentialling in that specialty have become a prerequisite to recent and all future selections for command. Furthermore, experience, as well as training, in executive management are similarly current and on-going requirements for all who would serve in command positions. Future training programs include even more exacting and advanced courses in management.

The Army Medical Department is responsible for providing almost 80% of the medical care in the combat and communication zones of the theater of operations in the time of war. Medical care for the injured or sick soldier must be rapid, efficient, and adjusted constantly to medical resources available. The military physician with command authority can best insure the delivery of optimum care, which includes a determination of the appropriateness for evacuation. This has been proven time and again by the statistics of past wars within which we have been involved. Our society has entrusted the physician with the ultimate responsibility for providing appropriate and quality medical care. In the Army, the physician is responsible to the commander for the health of his command and must thus have command authority of those units caring for patients and be responsible for the decisions that are an integral part of evacuation and the efficient, rapid, and safe delivery of medical care.

In addition to the Medical Corps commanders, there are a few additional Medical Corps officers in senior staff/senior management positions. These officers are the principal advisors on health and patient care matters to major commands and to Department of the Army leaders. Each of these officers requires the medical education and skill of a physician in order to assure quality health care delivery throughout the Army, and the appropriateness of the advice on medical matters to their commanders.

In 1978, Public Law was enacted that stated only dental officers would command dental units. Since 1978, retention of dental officers went from a low of 6% in 1978 to over 30% at present. The productivity of dentists rose from 28.9 average daily dental procedures in fiscal year 1978 to over 42.8 average daily dental procedures in fiscal year 1983 (See Figure 1). In summary, the improvement of dental care clearly demonstrates the necessity of having a functional manager in charge.

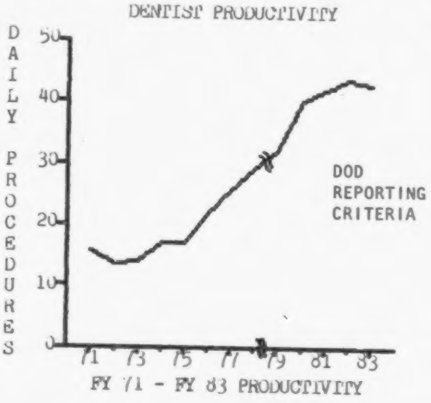


Figure 1

Physicians and dentists are also assigned to positions of nonpatient care involving graduate medical and dental education, field medicine, field dentistry, medical research and development, and consulting. In each of these positions, the Army needs its most highly qualified physicians and dentists who have the required education and training commensurate with the requirements of the position. These officers, in each of the corps noted, are the very best we have today. They serve as role models to the members of their respective corps as well as those of the sister corps and significantly affect the quality and professionalism with which patient care is delivered. To believe that the commander of a medical or dental unit or the teacher of medicine or dentistry does not affect or influence patient care on a daily basis is incomprehensible.

Wherever possible, command positions have been made available to our outstanding Medical Service Corps officers whose primary responsibility in the Army Medical Department has always been to provide administrative support to the rest of the health care delivery team. As noted previously, we currently have 63 Medical Service Corps officers in command. Such commands include combat support, evacuation, field and mobile Army surgical hospitals; division, non-division, and student battalions; medical groups and brigades; and hospital troop commands. Medical Service Corps officers are also commander/director of many other diversified organizations such as: the Armed Forces Medical Intelligence Center; the US Army Medical Materiel Agency; medical depots; medical supply and maintenance units; numerous research and development agencies; US Army Medical and Optical School; US Army Garrison/Fort Detrick; US Army Medical Department Personnel Support Agency; and US Army Health Facilities Planning Agency.

Medical Service Corps officers, as executive officers of medical and dental treatment facilities, are integral members of the total health care delivery team. The treatment facility executive officer, a key member of the decision-making command group who is trained in hospital administration, is responsible for the supervision of all of the non-clinical functions such as: personnel management, logistics, patient and hospital administration, and comptrollership. These essential support functions are necessary in order for the hospital to accomplish its primary mission of hands-on patient care and treatment.

The Army and the Army Medical Department therefore reaffirm their policy of assigning to positions of leadership officers whose qualifications best meet the specific requirements of the position to be filled. It should be noted that the Army Medical Department is a military health care team. We are acutely aware of the need for each other's services as well as mutual respect. That sense clearly exists throughout the Army and the AMEDD today and our spirit of cooperation and understanding has not been better.

I will next discuss our successes and remaining challenges in relation to medical readiness, quality assurance, peacetime health care, and cost containment. Each of these areas actively support our Army and AMEDD missions and goals.

MEDICAL READINESS

During FY 1985, the AMEDD will continue to place primary importance on enhancing readiness. Our commitment to support contingencies, mobilization, and combat operations across the entire spectrum of possible conflict remains our most important issue. Our mandate is to ensure that if we must commit our soldiers to combat, they will be medically supported by the most flexible and highly responsive health care delivery system possible.

The AMEDD can point proudly to recent readiness accomplishments. Operation Urgent Fury in Grenada presented medical units, particularly those of the 44th Medical Brigade and the 82D Airborne Division, with an opportunity to prove their ability to deploy rapidly and to provide medical support to a combat force in a hostile environment. The initial deployment into Grenada consisted of division level medical support augmented with three UH-60 Blackhawk MEDEVAC Helicopters. Later, a medical task force consisting of fifteen beds and operating room capability from a Mobile Army Surgical Hospital (MASH) along with ground ambulances was committed. All indicators show that the medical support provided to our soldiers in Grenada was outstanding. The Grenada experience greatly improved the medical readiness posture of each of the participating medical units. We also gained valuable experience through interface with the Navy during the evacuation of patients to their patient treatment vessels standing offshore.

Another important readiness accomplishment has been the AMEDD's support of operations in Central America. The Surgeon's Office of the United States Southern Command has been augmented with additional personnel to enhance our ability to coordinate medical activities in Central America. These activities included placing a Mobile Medical Training Team (MTT) in El Salvador, providing medical support to the Regional Military Training Center in Honduras, and supporting large scale exercises in Honduras. In each of these endeavors, we have been very successful. The MTT in El Salvador has trained over 400 medical aidmen, provided enhancement training for 55 nurses, and helped that country develop a Medical Service Corps. This latter effort will provide the Salvadoran Military Medical Department with the medical logisticians and administrators needed to help manage their medical programs and to date over 45 Medical Service Corps officers have completed the training program we helped them begin. The great need of our Central American allies for medical training and humanitarian medical support, as well as our requirement to support US forces training in the region, will dictate a continued AMEDD involvement in FY 85.

Although progress has been made during the past year, we still have shortfalls in meeting our wartime medical support requirements. We are aggressively pursuing correction of those shortfalls but we need the help of Congress. Key initiatives to our medical readiness posture are the reorganization of the combat zone medical delivery system; modernization and replacement of outdated field medical equipment; and enhancement of reserve component readiness. We are also continuing to emphasize inter-service cooperation in the development of our field medical systems to ensure that our deployable hospital systems will meet the stringent requirements for inter-service standardization and cost effectiveness.

The AMEDD is aggressively pursuing its reorganization of the field medical delivery system. An integral part is the conversion of combat zone hospitals to enhance their flexibility, deployability, and sustainability. By the end of FY 84, seven Active Component and five Reserve Component Combat Support Hospitals will convert to either Mobile Army Surgical Hospitals (MASH) or Evacuation Hospitals. The program's completion in FY 85 will result in two more Reserve Component hospitals being converted to MASH. These conversions to MASH and Evacuation Hospitals have significantly increased the surgical intensive care capability in the combat zone. The enhanced mobility capability of the MASH facilitates close medical support to the combat force.

Members of the Army Medical Department are diligently participating with representatives of the other military services to upgrade and standardize medical and support materiel to be deployed in a contingency, war, or national emergency.

The Military Field Medical System Standardization Steering Group (MFMSSSG) consisting of General/Flag officers from all DOD medical services has made considerable progress toward the goal of achieving maximum standardization of these field type hospital systems. Brigadier General Seitter, the Director of Health Care Operations, serves as chairman of this steering group. Panels of expert clinicians representing the Army, Navy, Air Force, and Marine Corps supported by experienced combat development and logistics officers selected the materiel required to treat 309 battlefield related patient diagnoses. This materiel was identified for use in appropriate functional medical modules of the deployable medical systems such as: operating room, laboratory, x-ray, plus triage/pre-op/emergency intensive and ward care. The guidance to each panel was that deployable medical systems must be "adequate but austere" and each service unique requirement will be fully documented for approval of the MFMSSSG. A clinical review committee completed a review and reconciliation of the sets selected to insure compliance with MFMSSSG guidance. Quad-service agreements have been reached concerning the use of DOD standard shelters, utility systems, food service, laundry units, transportation and other non-medical support equipment. A formal multi-service evaluation of a hospital equipped with deployable medical system materiel will be conducted at Fort Hood, Texas in November 1984. In the interim, we are acquiring with the funds authorized by Congress only approved standard long lead time components to equip the eight highest priority combat zone hospitals and aggressively pursuing the completion of this entire process. Based on the latest approved force structure, we plan to equip and modernize 143 hospitals which would provide 66,000 beds. The estimated cost for acquiring all materiel and services is in excess of $2 billion. This quad-service effort will also result in significant savings for both active and reserve components by reducing the duplication and redundancy previously found in DOD field medical systems.

Another successful initiative that has significantly increased medical readiness is the Civilian Military Contingency Hospital System (CMCHS). This program is a system of agreements which provide civilian hospital beds for casualties evacuated to CONUS from any major conflict occurring outside the United States and has evolved from the recruitment phase into an operational mode. A number of highly successful exercises of CMCHS have been conducted at the local level during which simulated patients were triaged, evacuated, and admitted to participating civilian hospitals. A continuing health education program for civilian health care providers has been developed to provide information concerning the unique needs of the military casualty. The civilian community has pledged over 62,000 beds in support of this program within the 48 DOD CMCHS regions. The Army, and more specifically, the US Army Health Services Command, is responsible for coordinating 19 of these regions which include 235 civilian hospitals and over 18,000 beds.

Another AMEDD readiness initiative has been our effort to reduce evacuation and hospitalization shortfalls in the European Theater through the use of Host Nation Support Agreements. Our ground evacuation capability in Germany will be significantly improved by the planned use of German bus ambulance battalions and ambulance trains. We continue to improve our hospitalization capability in Europe by pursuing Host Nation and Mutual Support Agreements with our allies. While we must continue to pursue these negotiations with our allies in an attempt to reduce our shortfalls, I must stress that the assistance offered to date has had only a minimal impact on our overall requirements and must not be looked at as the solution to our problems in the European or any other theater.

The AMEDD is leading the entire military toward more healthy lifestyles. Our program is designed to significantly improve military readiness by enhancing individual and collective physical fitness, productivity, mental efficiency, and sense of well-being. It is directed beyond the customary physical fitness program and addresses total fitness to include physical conditioning, weight control, nutrition, avoidance of substance abuse, and stress modification.

The AMEDD instituted a medical screening program out of concern for the safety of the soldier age 40 or older engaged in a vigorous fitness training program. This cardiovascular medical screen is the largest such program ever undertaken. Over 49,000 soldiers have been evaluated and an estimated 1,186 deaths have been averted since the screening was instituted in 1981. Additionally, the AMEDD is piloting a three-year study at the U.S. Army Command and General Staff College, Fort Leavenworth, Kansas to develop a cost-effective, computer-assisted, health risk appraisal program for soldiers under the age of forty.

Through use of a positive profile program now being field tested, soldiers with medically limiting conditions will be able to participate in alternative physical conditioning exercises to achieve their maximum level of fitness. This will have the greatest impact on the estimated 27,000 soldiers who have a permanent medical profile because of a medical condition.

Other health promotion initiatives are underway to educate and motivate the Army soldier and family on the importance of total fitness. Health and Fitness Advisory Teams (HFAT) have been established at each medical treatment facility to implement local health promotion programs at each installation. Fitness facilitators act as a point of contact on matters concerning fitness between advisory teams and other organizations within that installation.

Special initiatives are underway to increase awareness and knowledge of proper nutrition for the Army soldier and his family. These include reducing fat and salt content in the Army diet and developing nutrition education programs. AMEDD dietitians trained to provide nutrition education traveled to 41 troop dining facilities within CONUS to provide nutritional training to over 3000 cooks and dining facility managers. We have placed nutrition information in 179 commissaries around the world and have nutrition posters and take-home nutrition facts ready for dissemination to troop dining facilities. Additionally, health and fitness centers have been developed at the Army War College, Carlisle Barracks, Pennsylvania and the US Army Sergeants Major Academy, Fort Bliss, Texas. These centers provide cardiovascular risk assessment, physical training programs, and health education for senior Army leaders. These programs have all been accomplished without additional financial or human resources over AMEDD allocations.

The AMEDD successfully completed a year-long Pilot Health Promotion Program to develop a cost effective way for improving the readiness of military organizations. In 1984, based on the results of this pilot study, a corporate fitness program will be implemented for all 4,500 military and civilian Army staff personnel. This program is cost beneficial and exportable.

Reserve Forces

The Reserve Components continue to serve as a vital element of the total AMEDD. Currently over 70% of our deployable medical units must come from the Reserve Components - the Army National Guard and the United States Army Reserve (USAR). The AMEDD fully recognizes this dependence and works closely with the Reserve Components in evaluating their state of readiness. Remedial action to correct noted deficiencies are being taken in many areas to include personnel, training, and logistics.

The AMEDD is vigorously pursuing steps to correct the serious personnel shortages which have existed in the Reserve Component units. In 1980, the AMEDD thus accepted the mission of recruiting officers (less nurses) for the USAR. As a result of this action, the unit fill of Medical Corps officers is now over 62.5% from a low of 26% prior to our having accepted the mission. In addition, the AMEDD has developed and promoted programs to attract and retain physicians and nurses in the critically short specialties, such as surgeons, operating room nurses, and anesthetists. One of the most promising of these programs involves the establishment of Medical Detachment (MEDDETS) which are integral parts of existing reserve AMEDD units. Participants in the program perform drills at their regular hospitals according to their civilian schedules and at times they determine. The MEDDETS program has been built upon the civilian sponsored unit program which requires an affiliation agreement with a medical facility which acts as sponsor. At present, 48 medical units have established 119 such affiliations nationwide. The current program provides 803 spaces for physicians and will soon be expanded to provide for a total of 1058 positions. It should be emphasized that this is being done with no increases in unit strength authorizations, but with an innovative utilization of existing resources and the public spirited support of the civilian academic community. The MEDDETS were originally designed to assist in the recruiting effort; however, we now see them as being equally valuable in retaining those doctors and nurses who will be able to remain in the reserve because of the training flexibility offered by the MEDDETS.

While seeking to improve both personnel accessions and training, we are concurrently making significant strides in logistics improvements. The AMEDD is supporting an Army plan to preposition deployable medical systems for several medical units at sites in the United States where they will be used by Reserve Component units for training. The Army program currently includes establishment of medical equipment at three sites. This program is worthy of strong support because it is a cost effective means of improving logistics while permitting the Reserves to train on unit sets with which they will go into combat.

Manning the AMEDD is a vital issue that is an important key to success in our other critical mission areas. Without properly qualified health professionals staffed to our field units and fixed health facilities, our missions can not be attained. The AMEDD's Professional Officer Filler System (PROFIS) is a manning program with long-standing success that tremendously improves our readiness posture. PROFIS is a system which expeditiously provides health professionals (physicians, dentists, nurses, veterinarians, etc.) from AMEDD fixed health facilities to field units during mobilization. Since health professionals are not normally assigned to field units during peacetime, PROFIS provides professional fillers to Active Components units in Korea and Europe. The primary feature of PROFIS is the distribution of filler requirements to AMEDD fixed health facilities and the identification of the providing unit to the gaining unit commanders. The gaining unit commander will know the specialty of fillers to expect and which unit has the responsibility to provide them. We currently have over 4300 positions included in the program. PROFIS is truly a key program with significant readiness impact.

One ongoing action which has significant promise in helping relieve potential physician manpower shortfall during initial stages of combat is the expanded use of Dental Corps officers in alternate wartime roles. AMEDD plans, doctrine, and manpower structure are presently under revision to make this important concept a reality. With minimal additional training, these dental officers will be available to serve as first assistants on surgical teams and in other important combat medical roles. This increases the number of surgical teams that can be made available to manage combat casualties.

Field training is a major component of our preparation to support the Army in combat. While accomplishing our peacetime medical support mission our personnel are constantly sharpening their medical professional skills. These skills are enhanced through our Graduate Professional Education Programs and our continuing medical education programs. On the other hand, field training improves the ability to perform those medical professional skills in a combat situation. Together the total training effort is the heart of our number one mission - improving our readiness to support the Army in the field. In this regard, the Army's Health Services Command, which operates our health care delivery system in the United States, had over 23,500 of its officers and enlisted personnel participating in field training during FY 83. This training consumed over 70,700 mandays which would otherwise have been devoted to direct patient care. In addition, the Health Services Command supplied over 300 of its personnel, including 130 physicians, to support the field training of other major Army commands. Despite this effort we nevertheless have decreased the number of certificates of non-availability for health care issued. Professional training, direct and indirect patient care, and field training are the three elements of the daily life of AMEDD officers worldwide.

An excellent example of field training is the Combat Casualty Care Course (C-4). This is a tri-service course designed to prepare military medical professionals to successfully function at the forward points of the casualty care system on an integrated battlefield during a mid-to-high intensity conflict. This demanding nine-day course teaches the student to live and practice in a field environment by exposing them to the capabilities of the field medical treatment facility and the enlisted personnel with whom they must work. The course includes training in advanced trauma life support, patient evacuation, triage, preventive medicine, patrolling, and working in an NBC environment. It is conducted at the Academy of Health Sciences, Fort Sam Houston, Texas, and Camp Bullis, Texas. The course is supervised by the Joint Medical Readiness Education Committee which is composed of the three service Surgeons' General and in 20 classes per year trains 800 medical department personnel for each service. Of the 40 Army Medical Department personnel in each class, the quota composition is as follows: Medical Corps - 25; Dental Corps - 5; Physician Assistants - 4; Army Nurse Corps - 2; and Reserve Components - 4. An additional four Medical Service Corps officers attend each class as C-4 tactical officers.

I am well aware of the fact that the use of animals in combat surgery training courses has been and continues to be a sensitive issue. Let me to assure you that animals are used only when other alternatives have been fully evaluated and it is determined that the training is essential to the DOD mission. Our use of animals complies with the Federal Animal Welfare Law. Training courses in combat surgery are required to insure that medical personnel are prepared to support the Army in combat. In particular, the Combat Casualty Care Course and the Emergency War Surgery training program are initiatives designed to prepare entry level military physicians, dentists, veterinarians, and physician assistants to function under combat or mass casualty situations. In each instance the use of animals is necessary. However, they are anesthetized before injury and euthanized at the completion of the surgical training exercise.

I would also like to provide you with the active component personnel strength situation. Active duty physician strength has increased steadily over the past four years. Fiscal year 1984 end strength is projected to increase by 132 individuals over the FY 83 end strength and end at 5163. The Medical Corps is expected to grow to an end strength of 5317 in FY 85. The Army Nurse Corps ended FY 83 with an end strength of 4038 and is programmed to grow in FY 84 to an end strength of 4320. The Nurse Corps relys on volunteer procurement by the US Army Recruiting Command and the Reserve Officer Training Corps (ROTC) program. The other four AMEDD corps are expected to show only minor adjustments to their FY 83 end strengths in FY 84. For FY 85 and beyond, no growth is programmed due to the Army's 780,000 end strength constraints.

Medical Research and Development

I am proud to note that the AMEDD's research arm, the Medical Research and Development Command, has produced some significant accomplishments. Each of these accomplishments exemplifies the purpose of medical research in the US Army to better meet the needs of the Army regarding care of the wounded, prevention and control of infectious disease, enhancement of military performance, and protection against environmental hazards. One accomplishment has been a major breakthrough in the development of a vaccine against anthrax through the application of genetic engineering and molecular biology. Equally impressive has been the development and animal testing of a genetically engineered vaccine that will provide protection against dysentery. The US Army Institute of Dental Research has developed synthetic biodegradable, biocompatible materials that will replace and repair bone loss due to trauma. The use of these materials will also enhance the healing process and will be of considerable value in the management of combat injuries to the jaw. Another accomplishment is the establishment of a drug screening system to identify drugs which provide greater efficacy against nerve agents.

While we are pleased with these accomplishments, the AMEDD is actively continuing its research efforts to meet the Army's needs. For example, genetic engineering is a rapidly developing area of biotechnology which offers immense promise as a means of meeting Army requirements for creating protective and treatment measures against the threats of naturally occurring infectious diseases, biological warfare (BW) agents, and chemical warfare (CW) agents. This technology is especially important for products which have been difficult to develop by conventional methods. It will also allow for major improvements in the large scale production of existing vaccines/biologicals. The Walter Reed Army Institute of Research and the US Army Medical Research Institute of Infectious Diseases are the US Army Medical Research and Development Command activities most deeply involved in new approaches in biotechnology. Both institutes have in-house and contract programs in genetic engineering, monoclonal antibody and hybridoma production, immune enhancement, novel drug delivery systems, and studies focused on enzymes, nucleic acids and biologically-active substances.

Using recombinant DNA technology, a new attenuated vaccine has been developed that has been shown in human studies to be protective against bacillary dysentery and typhoid fever. Other vaccines under development using recombinant DNA technology are those for malaria, anthrax, hemorrhagic fevers, typhus fevers and several arthropod-borne infections such as Rift Valley fever. Monoclonal antibodies and genetically engineered molecular probes are being used to develop a new series of exploitable approaches for rapid identification/diagnosis of biological warfare agents and natural infectious diseases. The use of human monoclonal antibodies for the treatment of biological warfare and infectious diseases for which there are no vaccines is also being investigated. The Army Medical Institute of Chemical Defense is supporting recombinant DNA studies to produce human enzymes and cell surface proteins involved in the transmission of nerve impulses which may be disrupted upon exposure to chemical warfare agents. These products will be investigated as potential treatment of nerve gas casualties. Monoclonal antibodies are also being developed as diagnostic markers for chemical agents.

The research and development effort in medical chemical defense is one of high priority with significant tri-service impact. A candidate carbamate pretreatment drug against nerve agents has shown promise and a product manager has been appointed. Efforts will continue to be focused on extending the use of this carbamate as a chemical warfare pretreatment drug and for exploiting its potential for fielding. A promising resin technology is being exploited for its potential as a non-toxic skin decontaminant for use on patients and by soldiers. Additionally, during FY 84, prototypes of vital sign monitors and individual and gas-powered resuscitators will have been delivered and clinical and engineering evaluations commenced. The chemical warfare agent patient protective wrap should be available for procurement during FY 85. While the major program thrust continues to be directed towards development of more effective nerve agent antidotes and pretreatments, other areas of intensified research and development include antidotes and/or protectants for blood and blister agents. In fiscal year 1983, fielding of the MARK I nerve agent antidote autoinjector was completed which gave the soldier improved first line treatment against nerve agents. The Army hopes to field a new pretreatment drug in fiscal year 1987 and an improved MARK II autoinjector in fiscal year 1988 to further improve medical defense on the chemical warfare battlefield. Medical treatment facilities used in a chemical warfare environment must be chemically hardened to protect patients and staff and to allow proper medical treatment to continue. A new program was started in fiscal year 1984 to develop deployable chemically hardened structures uniquely designed to meet the medical treatment requirement. Milestone schedule for fielding dates of these new facilities is being developed.

The Surgeon General has chartered the Theater Army Medical Management Information System (TAMMIS) Project to provide operational support to field medical units and improve command and control information regarding medical resources on the battlefield. This is a contractual effort with a functional core consisting of: medical logistical, medical regulating, patient accounting and reporting, whole blood management, and the command/control module. This effort is to be a subset of The Army's Tactical Combat Service Support System (TACCS), and is targeted for FY 86 implementation using the standard Army tactical computers. These modernization efforts need your continued support. The proper use of today's technology will capture that critical resource called information. Timely information made available to the decision maker will enhance quality of care, management directions, and readiness.

A final medical readiness issue is the AMEDD's establishment of a formal health hazard assessment program in support of the Army's Weapons Modernization Program. The goal of this program is to identify, evaluate, and correct health hazards to the users, the American soldiers, in the early phases of the materiel development and acquisition cycle. We have evaluated 28 weapons systems in this program to date this year.

COST CONTAINMENT

While the AMEDD is fully commited to improving its medical readiness and peacetime health care, it is also actively pursuing numerous cost containment initiatives. However, to simultaneously pursue medical readiness, peacetime health care, and cost containment requires significant tradeoffs --particularly in terms of productivity. For example, AMEDD programs in support of readiness, such as the Over 40 Cardiovascular Screening Program, are costly to the direct care system as resources are diverted from direct care to support these readiness programs. Also, extensive quality assurance monitoring mechanisms are similarly expensive and also detract resources from direct health care delivery. Therefore, in assessing the AMEDD's commitment to these programs, it is obvious that true productivity cannot merely be measured in the peacetime mode. There is a balance that must be maintained between peacetime health care delivery, readiness, and cost containment which meets the needs of the Army and yet adequately reflects true productivity and the proper utilization of resources.

The Army Medical Department continues to make significant progress in improving the utilization of the direct health care system and in curtailing the use of the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). Continuing a program the Army initiated in 1981, the number of certificates of nonavailability (CNAs) for care provided under the CHAMPUS was reduced by 3,277 in 1983 or over 11% from 1982 levels (see Figure 2). This reduction generated savings to the CHAMPUS of more than $12 million. In addition, this decrease has enabled service members and their families to avoid significant personal outlays for medical care.

Silas B. Hays Army Community Hospital was selected by Headquarters, Health Services Command, as the site for the Army to test the use of outpatient nonavailability statements in an effort to increase access to the military treatment facilities and to control the use of CHAMPUS. The test was initiated on 1 February 1983 for the California communities of Carmel, Carmel-by-the-Sea, Fort Ord, Pacific Grove, Pebble Beach, and Seaside. A CNA for nonemergent outpatient care is required for persons residing within these zip codes of the Fort Ord catchment area. Data collection is currently in process.

The Surgeon General's Office, Department of the Army, was designated lead agency to redefine the Washington, DC catchment area in order to maximize beneficiary use of military treatment facilities located therein. A plan was developed and implemented on 1 March 1983 in all five US military treatment facilities in the Washington, DC catchment area. This plan insures that CNAs are not issued to beneficiaries if care is available in any of the military treatment facilities in whose catchment area the beneficiary resides. The results of this initiative are currently under study by a joint Service evaluation committee. Preliminary analysis of the data indicates that during the period 1 March 1983 - 30 September 1983, there was an overall reduction of

229 CNAs or approximately 21% from the same time period of 1982.

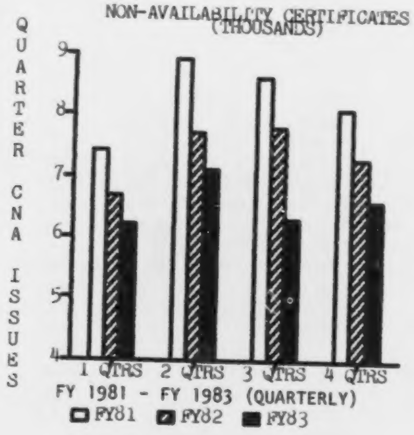


Figure 2

Another successful ongoing AMEDD cost containment initiative is the AMEDD Health Care Augmentation Program. The intent of this program is to provide new authorities for medical activity commanders to increase the accessibility of the direct care system to the beneficiary population. Policies and procedures for the Joint Health Benefits Delivery Program and the VA/DOD Health Resources Sharing Program have been completed and are available at the medical activity level. Several VA/DOD sharing agreements are already in effect and there are five possibilities for joint benefits delivery being negotiated between the medical activity, OCHAMPUS, and a private practitioner. The new legislative authority to use personal service contracts for both physician and nonphysician direct care is progressing satisfactorily. We expect to have this program fully developed and implemented at the military treatment level by the fourth quarter of this year.

In an effort to better account for health care expenses and workload, the Army in 1980 began implemention of the Uniform Chart of Accounts (UCA) and the Uniform Staffing Methodology (USM). These systems are designed to use a common methodology for accounting for and reporting of expense, workload, and manpower utilization. With the completion of FY 83 operations, these systems are now showing signs of maturing. During FY 84, the Army has begun the acquisition and deployment of the hardware and software designed to support the systems at the military treatment level. Three of these systems are fully operational and two more were installed in March. Over the next 30 to 36 months, the Army will have all facilities on-line with the UCA/USM ADP support system.

The Omnibus Reconciliation Act (97-99) of 1981 transferred Public Health Service hospitals to local community control. The "Jackson Amendment" designated these facilities as Uniform Services Treatment Facilities (USTF). This amendment in effect invoked the "40-mile rule" whereby DOD health care beneficiaries living within 40 miles of these facilities must first seek non-emergency care at these facilities prior to applying for CHAMPUS assistance. Recently completed negotiations with these Uniform Services Treatment Facilities should help reduce the rapid cost growth in this health care alternative. An example of the tremendous cost growth can be seen by taking the Army workload performed by the PHS in FY 80 and costing the same workload at the estimated USTF costs for FY 84. In FY 80, the Army paid the PHS $10.3 million for workload performed at these 10 facilities. Based on three months actual costs for FY 84, the same annual workload would now cost $30.4 million. The estimated cost for FY 84 is $34.3 million and for FY 85 is $45.8 million. The rapid cost growth should be partially mitigated by the negotiation of payment rates and methods. However, the negotiations will not reduce costs below the FY 84 levels. To offset these claims that must be paid, less money will be spent by the Army on supplemental care for non-active duty patients and more patients will be referred out on the more expensive CHAMPUS alternative.

QUALITY ASSURANCE/PEACETIME HEALTH CARE

A quality peacetime health care system is the result of dedication and hard work by everyone in the Army Medical Department (AMEDD) chain of treatment. I strongly support this most important goal since our soldiers and their families deserve the best health care we can provide them. High standards of health care not only benefit the soldier directly but also enhance the Army's ability to perform its mission in wartime. Continually improving the quality of our health care system involves many factors. These factors include upgrading the professional competence of our practitioners, increasing the number of practitioners, increasing the number of ancillary support personnel available to ensure efficient utilization of our health care professionals, and ensuring that our medical treatment facilities meet current accreditation and lifesafety standards.

Current policy requires each local medical treatment facility (MTF) to establish a Quality Assurance Program (QAP). As a minimum, these programs include continual monitoring of efforts in the critical areas of patient care assessment, clinical practice privileges, utilization review, and risk management. Centrally, a full-time Quality Assurance (QA) Office was established at Department of the Army in April 1983. The five individuals currently assigned to that office are deeply involved in developing and coordinating AMEDD quality assurance policy. They also monitor for systemic applications any quality assurance issues that may arise in reports from the Joint Commission on Accreditation for Hospitals (JCAH), reports of claims provided by the U.S. Army Claim Service, and reviews of care by the Department of Legal Medicine, Armed Forces Institute of Pathology (AFIP). Summary reports from the DOD Inspector General (IG) and the Army Audit Agency (AAA) are also reviewed for systemic problem identification.

The Quality Assurance office has also been very active in preparation of quality assurance education programs for several major leadership meetings within the AMEDD. Several more are being planned for the balance of this year. Important input for revision of various regulations that impact in the broad sphere of medical quality assurance has been provided and the office has worked closely with the AMEDD officer procurement arm to preclude quality assurance problems with newly acquired health care professionals. We have also begun working with the U.S. Army Reserve Personnel Center (ARPERCEN) in St Louis to ensure that active duty quality assurance principles and procedures are also operational with the medical portion of the reserve component system.

An AMEDD-wide system for central reporting of those practitioners with locally limited clinical practice privileges has been developed. Statistics are provided quarterly to the Assistant Secretary of Defense (Health Affairs). Military or civilian practitioners who leave our service with limited clinical privileges are also being reported to the appropriate civilian licensing authority.

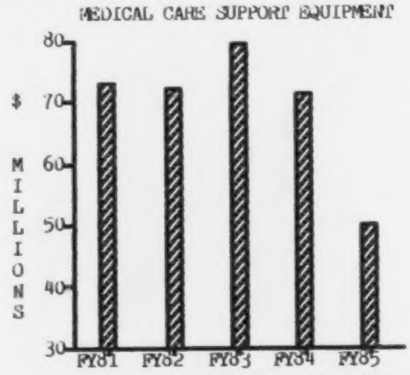
An example of a quality assurance issue in which the Army has taken the lead is that of medical oxygen delivery systems. We have developed and initiated procedures for insuring the quality of medical oxygen at the time of delivery to our facility as well as during its administration to patients. Under procurement is a full time inline purity monitoring system which was designed for maximum safety and reliability. The method of procurement being used encourages the industry to develop a product which will be available to both the private sector and the government without the government paying high costs for prototype development. Current technology was used to design a reliable, accurate, and effective monitoring system easily installed in existing hospital oxygen systems. The Army also chaired a tri-service ad hoc group which developed DOD policy to further improve quality control aspects of oxygen delivery systems for all services.

The Army Health Facilities Modernization Program is another ongoing initiative, strongly supported by Congress, designed to enhance the peacetime health care delivery system. The program aims to reduce the estimated $3.2 billion backlog in the renovation or replacement of existing facilities and the construction of new facilities in support of the overall medical mission. The President's budget requests $164.8 million in Army health care construction for FY 85. This represents three hospital projects, two health clinics, three dental clinics, and six combined health and dental clinics. Included in this program is the start of the new Madigan Army Medical Center at Fort Lewis, Washington. FY 85 is the first year in which we have been able to request incremental appropriation as recommended by the Congress. It is our intention to continue programming in this manner for the construction of the new Brooke Army Medical Center at Fort Sam Houston, Texas. FY 85 is also the first year of the Army's Stable Annual Investment for the Renewal of Systems (STAIRS) in which health facilities participate. STAIRS promotes a continual facilities deficiency identification and upgrade process by devoting a base level of resources to renewal of physical plant. If we are to reduce the facility upgrade backlog, we must continue to meet the minimum funding levels plus implement new initiatives. Congress has been very helpful as shown by the Congressionally inserted FY 82 items for upgrade of Moncrief Army Community Hospital, Fort Jackson, South Carolina, and the health clinic at Fort Benning, Georgia in FY 83. Continued Congressional interest in support of the soldier through the provision of modern health care facilities is also evidenced by the opening of the new hospitals at Fort Campbell, Fort Polk, and Fort Stewart.

The AMEDD is continuing to provide investment equipment through the Medical Care Support Equipment (MEDCASE) program to its medical treatment facilities. This equipment is needed to equip our new or modernized facilities, to support our clinical investigation programs, to combat pollution, to assist in drug abuse programs, and to provide for the orderly replacement and modernization of equipment used daily in our medical efforts. The equipment acquired under this program ranges from desk top audiometers, dental operating units, and eye examination devices to large pieces of equipment such as bulk sterilizers, x-ray machines, and computerized tomography scanners. In an effort to provide our soldiers with the best care possible, we intend to place computerized tomography scanners at all our hospitals where there exists a high probability or density of trauma cases. This includes all our medical centers and those hospitals supporting training centers or large concentrations of combat ready troops. In 1984, we are putting these computerized tomography scanners in use at Fort Bragg, Fort Leonard Wood, Dwight David Eisenhower Army Medical Center, and at our regional medical centers at Frankfurt and Landstuhl, Germany. We also are engaged in acquiring this capability at Forts Sill, Hood, and Benning, at Tripler Army Medical Center in Hawaii, and for our hospital in Seoul, Korea. We have found that by buying these items centrally and on a competitive basis, the Army realizes a substantial cost saving. The per item price of less than $1 million is considerably less than that paid for the item in the civilian sector. For fiscal year 1985, the AMEDD is currently programmed at $49.8 million for the MEDCASE program which is somewhat less that the $71.3 million budgeted for FY 84 and the funding levels for fiscal years 81 through 83 (See Figure 3). However, the FY 85 funding level is adequate to provide for all known and programmed equipment needs during that year. Our community hospitals, medical centers, and dental activities are equipped with state-of-the-art technology and equipment comparable to similar facilities in the civil sector. This is important since the fixed hospital system represents some of our initial overseas backup capability and is the base for CONUS mobilization expansion. The MEDCASE program remains a core program for resourcing our facilities worldwide to enhance the Army Medical Department's mission of quality peacetime health care.

The AMEDD is constantly seeking means to provide more dental care to the soldier and his family members. Two recent initiatives for increasing dental care to family members are under consideration. The first initiative involves the DOD Health Affair's response to the Senate Armed Services Committee Report 98-174. This action contained three alternatives for dental care: a dental CHAMPUS proposal, an all voluntary dental insurance plan, and a cost-share insurance program. The second initiative is an Army sponsored action that would amend legislation concerning space available dental care for family members of active duty soldiers. This legislative proposal would amend Title 10, U.S. Code and allow the military services to provide dental care to eligible DOD beneficiaries in all dental treatment facilities when possible, subject to the limitations of staff and facilities. This space available initiative would be a tremendous step forward in providing some of the basic needed care for the soldier's family as well as reducing financial hardships on the soldier.

Space available care also provides a means of managerially capitalizing on efficiency and effectiveness in dental care delivery. As indicated in the March 1984 House Appropriations Committee Report on Dependent Dental Service, treating dependents has allowed the Army to be more productive than the other Uniformed Services by using dependents to fill appointments while the active force is training or on exercises. This higher level of productivity has not been at the expense of reduced care for active duty personnel. The House report indicates that the Army's level of care, as measured by procedures per active duty beneficiary, is greater than either of the other services. Specifically, at CONUS installations the Army provided 14.1 procedures per active duty member, while the Air Force provided 12.3 and the Navy 9.7. The AMEDD hopes that the legislative proposal for expanding space available care will be submitted and passed during this current session of Congress.



FY 81 - FY 85 MEDCASE PROGRAM

Figure 3

The AMEDD is an active participant in the Army revision of the Exceptional Family Member Program. The program reflects Army interest in Army families and in the provision of services to the soldier and his family. Contributions of the AMEDD in the revised program include increasing the capability to diagnose and designate treatment needs of handicapped family members worldwide and to provide treatment services for long term handicapping conditions of family members in all overseas locations of Army health care responsibility (Panama, Korea, Germany, northern Italy, and SHAPE). This increased emphasis on meeting the treatment needs of families is also in compliance with the DOD instruction directing that the military services provide health related services to handicapped children in support of DOD dependent schools overseas. To date, the AMEDD has conducted multidisciplinary evaluations of about 4,700 children in support of this program. The FY 85 Exceptional Family Member Program request will provide for the necessary expansion of worldwide diagnostic and treatment services in areas of Army health care responsibility.

The AMEDD is actively exploring the utilization of automation to enhance the quality of health care delivered. The computer assisted practice of cardiology, patient appointment and scheduling systems, regional pharmacy systems, and automated cardiac catheterization lab systems are examples of automation positively accepted in our larger facilities. In addition, we are pursuing the use of standardized microcomputer based support systems for our smaller facilities as an interim measure pending DOD tri-service support systems scheduled over the next three to five years. These efforts are expected to assist the direct patient care provider, reduce patient waiting time, as well as assist in capturing productivity measurement data.

The AMEDD's health care efforts also extend to the treatment of substance abuse problems. In FY 83, the total Army drug and alcohol abuse budget was $52 million, of which $25 million was allotted to patient treatment programs. These programs had an overall success rate (return to full effective duty) of 72% and resulted in a cost savings of $263.5 million which would otherwise be spent for personnel replacement and training. During the fiscal year, the Army also expanded residential treatment opportunities for soldiers with alcoholism. New programs at Dwight David Eisenhower Army Medical Center, Fort Gordon, Georgia and a tri-service facility at Tripler Army Medical Center, Hawaii have become operational. The program at William Beaumont Army Medical Center has also been expanded. The Army currently has 297 residential treatment beds in eleven facilities worldwide. In FY 85, a modest expansion of residential treatment beds in Europe is expected as a result of facility renovation.

The issue of alcohol and other drug abuse among health care professionals is also a matter of concern to military as well as civilian health care organizations. Therefore, the AMEDD has developed a comprehensive program to address this issue by selecting the most effective elements from existing civilian alcohol and drug abuse programs and incorporating the unique aspects of military medical care. This program will provide the necessary treatment and monitoring of recovering professionals to maintain the highest standards of care and quality assurance.

To achieve the goal of an Army free of the effects of drug abuse, the AMEDD supports combat readiness by operating three urinalysis drug testing laboratories. All urine samples are currently tested for the presence of marijuana and, in the third and fourth quarters of FY 84, cocaine testing will be gradually introduced. The drug testing laboratories are required to produce forensic quality laboratory reports with sufficient scientific and legal characteristics to be accepted as evidence in legal proceedings. A FY 84 blue ribbon panel review of drug testing laboratories established new criteria to insure that reports will meet legal and technical challenges. These tightened standards have reduced drug testing laboratory capacity to 540,000 samples annually at an expected cost of $4.3 million. To meet Army testing requirements of 800,000 samples per year, civilian contracting is being considered to cover the 260,000 sample shortfall.

We are vigorously pursuing our mission objective of training our AMEDD personnel to insure the timely availability of the trained health professionals required to support peacetime health care as well as approved combat, mobilization, and contingency plans of the military forces. During fiscal year 1983, over 29,000 people to include over 9,700 reservists attended numbered courses at the Academy of Health Services, Fort Sam Houston, Texas. The expected number of Academy input for FY 84 is in excess of 35,000. The number of officers and warrant officers enrolled in the Long Term Civilian Training Program is expected to increase from a FY 83 actual of 393 to 441 at the end of FY 84. In excess of 13,000 personnel were trained in FY 83 in Professional Short Course (non-degree) training. No significant change is anticipated in FY 84.

Another important training program is the Armed Forces Health Professions Scholarship Program. In FY 85, the Army will have authorizations for 1450 scholarships. We plan to offer 350 new scholarships while the graduating class will provide 457 new physicians for active duty. The Program is absolutely vital to the Army as it represents the primary source of new physicians for the AMEDD. Unlike recruiting in a variable market, the Program provides a long range, stable, reliable source of medical officers. Most of the Health Professions Scholarship Program participants will receive graduate medical education in the Army. As a result we receive extended service from a group of medical officers who are positively motivated. Interuption of a reliable supply of officers to feed our graduate medical education programs could cause irreparable damage to our entire medical system. For these reasons, the value received for the dollars spent on this program makes it one of the most cost effective programs in the Army.

The Army's ever increasing use of physician assistants (PAs) has helped relieve physician shortages. The PA program is designed to train and place physician extenders in the field/combat environment, thus permitting medical corps officers to fill ambulatory care positions within fixed health facilities. While general physician assistant authorizations have not kept pace with requirements, there have been an increasing number of requests for PA assisgnments to specialty areas. Currently there are more than 70 physician assistants who have received or are enrolled in specialty training in orthopedics, emergency medicine, occupational medicine, cardiovascular medicine, or aviation medicine.

As DOD Executive Agent for Veterinary Services, I would like to report on the status of the Army veterinary functions. Since 1980, when the Air Force

Veterinary Service was disestablished, the Army has had sole responsibility for all DOD veterinary functions and activities. I am pleased to report that the consolidation has been completed as directed by Congress except for a small number of research and development positions. We have assumed responsibility for all Defense Logistics Agency activities, for Marine Corps and Navy installations both in CONUS and overseas, for the care of more than 2,000 military working dogs valued at approximately $2 million, and for animal disease prevention and control programs at 117 Air Force bases worldwide. Our study of the most efficient and effective means to provide veterinary support to the entire Department of Defense during mobilizations and other contingencies has been completed. Corrective actions to overcome the identified shortages are being developed.

The Army Food Inspection Technician Warrant Officer program has also been completed. Warrant officers have been selected, trained, and are now on active duty. They are used as supervisors of noncommissioned officers and enlisted personnel involved in food inspection. The Army Veterinary Officer is indispensable infulfilling our responsibilities regarding the wholesomeness of subsistence. Military veterinarians are also vital to the DOD medical research and development effort. In addition to ensuring the humane and proper care of thousands of laboratory animals as required by law, they are primary participants in Army studies assessing health hazards of military weapons systems, biological defense, and combat trauma. As DOD executive agent, the AMEDD also supports the Naval research and development programs and Defense agencies, such as the Uniformed Services University of the Health Sciences, the Armed Forces Radiobiological Research Institute, and the Armed Forces Institute of Pathology.

CONCLUSION

The Army Medical Department, like the Congress, is justifiably proud of the recent demonstration of medical readiness in Grenada and the quality peacetime health care provided to eligible beneficiaries everyday. The progress we have made in recent years to reach this point reflects the support and cooperation of Congress and the nation. Continued support from Congress is necessary to maintain this positive momentum. Just as the AMEDD is committed to its missions of promoting a physically fit ready force, training health resources in support of military forces, and providing top quality peacetime health care, it is equally committed to working with Congress to attain these goals. The request before this committee today provides the minimum level of funding required by the AMEDD to pursue its three fold mission and to maintain our current pace of improvement.

SCHOLARSHIP PROGRAM

Senator **Rudman**. Thank you, General Huycke.

I would only comment on your reference to the scholarship program.

When I was down in Honduras about 3 months ago, we went up to the Regional Military Training Center at the coast where many troops of other nations, of course, are being trained under our military assistance program, mainly by units from Fort Bragg, mainly special forces units. I was delighted to meet a young man, whose family I know very well, from Portsmouth, NH. He was the Army doctor for that center, the only doctor for a population of about 1,500 to 2,000, plus the villagers who come in with serious problems.

That young man told me, and I believe him knowing his background, that he would never have been able, although he had the mental ability obviously, to go to medical school had it not been for this program. He is committed to a life in the service as an Army medical doctor. He is also special forces qualified.

When he told me about the kinds of things that he was treating, with really a very limited amount of experience, out of medical school maybe 3 years, it was astounding. His commander spoke very well of him and what he did. So obviously that program is working.

I just wanted to make that comment since I had the chance to observe that.

General **Huycke**. Thank you very much, Senator. I quite believe that.

Senator **Rudman**. Admiral Seaton.

U.S. Navy

STATEMENT OF VICE ADM. LEWIS H. SEATON, SURGEON GENERAL, AND DIRECTOR, NAVAL MEDICINE, U.S. NAVY

NAVAL WARTIME MEDICAL READINESS

Admiral SEATON. Thank you very much, Mr. Chairman, Senator Inouye.

I am Admiral Seaton, Surgeon General of the Navy. I, too, am pleased to have this opportunity to report to you on the status of the Navy's wartime medical readiness, our peacetime health care system, and the restructure of the Navy Medical Department.

As you know, the key to wartime medical readiness is trained and experienced personnel, coupled with adequate deployable assets. This year, we are requesting growth of approximately 2,000 active duty Medical Department personnel, both officer and enlisted, for fiscal year 1985.

This is designed to provide the trained personnel immediately available to staff new medical units and to augment ships and Marine units which operate with reduced medical staff during peacetime. The requested increase will be fully utilized as additional staffing for our treatment facilities in this time of peace. This will result in a continuing reduction in CHAMPUS referrals with accompanying cost savings.

RESERVE PERSONNEL

On the reserve personnel front, last year we developed Project Unity, a comprehensive plan for the close integration of reserve medical units at all levels of our organization. This is now being implemented. There is a selected reserve medical flag officer assigned to my staff, as the Deputy Director of Naval Medicine for Reserve Affairs, to oversee this effort.

To proceed with this project, we are requesting reserve end strength for fiscal year 1985 of 13,000 Medical Department personnel. Some of these reserve personnel are projected to staff several of our largest 1,000-bed communications zone fleet hospitals, and will augment staffing of the hospital ships when they come on line.

FLEET HOSPITAL PROGRAM

In implementation of the fleet hospital program, procurement of the first four deployable fleet hospitals commenced in fiscal year 1983, and will result in 1,500 combat zone beds on line in 1985.

The fiscal year 1984 procurement includes two 500-bed and one 250-bed combat zone fleet hospitals. The fiscal year 1985 budget includes funds for both combat zone and communications zone fleet hospitals.

Thanks to the strong support of the Congress, the two hospital ships are much closer to becoming a reality, as you heard. The initial operating capability for the first ship is September 1986. The contract for the second hospital ship was awarded in December, and it is expected to be on line by June 1987.

For real world assets today, the 1,000-bed rapidly deloyable medical facility is on-board a ship on station at Diego Garcia. The staff members have been identified and training has proceeded as planned.

We have augmented the large amphibious ships of the LHA and LPH classes with surgical supply blocks to provide additional operating room and intensive care capability. The personnel of the surgical teams to support this effort are assigned to teams kept on a rotating 48-hour alert.

The effectiveness of these initiatives was clearly demonstrated by the immediate and professional medical response in Lebanon and in support of the Grenada operation.

MEDICAL READINESS TRAINING

Medical readiness training has been made a required part of Navy intership programs. I am requiring training in advanced cardiac and advanced trauma life support for all physicians and dentists assigned to deployable units. Other readiness training programs include courses in combat casualty care, tropical medicine, cold weather medicine, and desert warfare medicine.

MEDICAL DEPARTMENT STAFFING

The Navy's Medical Department staffing picture is showing improvement. Due to continued congressional support of the Armed Forces Health Profession Scholarship program, and the Uniformed Services University of the Health Sciences, we are beginning to experience the benefit in the Medical Corps of a stable source of high quality accessions.

While we still have shortages in some of the surgical specialties today, the initiatives taken to alleviate these problems are aggressive, and we project achieving authorized strength in most of the active duty specialties in a few years

COMPENSATION

Adequate compensation has been a decisive factor. Your continued support for medical and dental special pay programs is critical to successfully continuing to fill our requirements.

Equally vital to wartime medical readiness are the highly skilled medical corpsmen and dental technicians. I strongly urge extension of the authority for enlistment and reenlistment bonuses as essential to ensure adequate manning of the enlisted force with the Navy and Marine Corps.

COST CONTAINMENT

Within the peacetime, direct health care system functions, cost containment has been the major issue. The Navy has made an extremely successful effort during fiscal year 1983 to increase its in-house workload, consequently reducing the number of issued CHAMPUS certificates of nonavailability by 21 percent. The requested increases in active duty manpower are critical to maintaining the momentum of this effort to continue reducing CHAMPUS costs.

QUALITY ASSURANCE PROGRAM

This past year, our quality assurance program has matured significantly. We continue to expand its scope, and we are developing initiatives to credential reserve personnel and those in operational shipboard assignments. We are also applying a much tighter review to the new accessions.

HOSPITAL ACCREDITATION

Attaining accreditation by the Joint Commission for Accreditation of Hospitals has been made an integral part of the mission of our hospitals, and we have been totally successful in meeting this standard.

MANAGEMENT DEVELOPMENT PROGRAMS

The major restructure of the Navy Medical Department which has been instrumental in the accomplishment of these achievements began in 1982 and is in the final stages of its implementation.

One of the last stages to be put into place, but which will have the greatest long-term impact on Navy medicine are the management development programs. The underlying philosophy is to identify, train and assign the best qualified individuals to positions of leadership and management, without the traditional constraints of the four officer corps.

My conclusion is that the Navy Medical Department has tangible evidence of its progress.

In summation, medical units with the Navy and the Marine Corps were able to rapidly and professionally respond last fall to the two separate but concurrent contingency requirements of Beirut and Grenada. At the same time, we have maintained a health care delivery system at the peak operating levels, delivering quality health care services to millions of beneficiaries, while undergoing a progressive reorganization of unprecedented proportion. These accomplishments were possible because of the professionalism and dedication of the people who make up the Navy Medical Department.

Our plans for the future are to maintain this course and to continue efforts to ensure that trained people and adequate resources are available or programmed to concurrently meet both the wartime readiness mission and the peacetime health care delivery mission.

Thank you very much.

[The prepared statement of Admiral Seaton follows:]

PREPARED STATEMENT OF VICE ADM. LEWIS H. SEATON

DIRECTOR, NAVAL MEDICINE AND SURGEON GENERAL

U.S. NAVY

Mr. Chairman and Members of the Subcommittee:

I am Vice Admiral Lewis H. Seaton, Medical Corps, United States Navy, Director, Naval Medicine and Surgeon General of the Navy. I am pleased to have this opportunity to report to you on the status of the Navy's wartime medical readiness and peacetime health care system, and the restructure of our Medical Department.

The three primary goals I have set are to continue improvement of our wartime medical readiness; to increase efficiency and effectiveness of operations in the direct health care system; and to continue with the successful implementation of the Medical Department restructure.

Wartime medical readiness is my first priority. That mission requires trained personnel, facilities, equipment and supplies, and a system for ensuring and reporting that all of these elements are ready to go to war.

The key to readiness is trained, experienced personnel. We are requesting a growth of approximately 2,000 active duty Medical Department personnel for fiscal year 1985. Over ten percent of the increase is dedicated to Marine Corps units. This growth provides additional trained personnel immediately available to staff deployable medical units and to augment ships and Marine units which operate with reduced medical staff during peacetime. Rapid augmentation of forward deployed units to support combat casualty care is essential to wartime sustainability. Peacetime assignment of these personnel to our treatment facilities will provide them an opportunity to maintain their essential wartime skills while ensuring availability of a trained manpower pool for immediate deployment.

The requested increase also will provide additional peacetime staffing for our treatment facilities and for special programs such as internal review and quality assurance. This increased capability will result in a further reduction in Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) referrals with accompanying cost saving, decrease in out-of-pocket cost to sponsors, improved quality-of-care, and increased patient and provider satisfaction.

Navy medical growth is carefully balanced between the active and reserve components to ensure attainability and a total force mix designed to meet time-phased contingency requirements. The Naval Reserve is an integral part of our total capability for contingency operations and plays a vital role in peacetime. We consider active duty and reserve forces as a single entity. In concert with this policy, we have emphasized phased growth in the Reserve Medical Program. Last year we developed "Project Unity," a plan for the horizontal integration of reserve medical units at all levels of the organization. This is now being implemented. There is an Inactive Reserve Flag officer assigned to my staff as Deputy

Director of Naval Medicine for Reserve Affairs with a full time, active duty staff assistant to ensure that reserve considerations are included in Medical Department policy and program development.

There are similar arrangements at all levels of the Medical Department to ensure that the reserves are fully integrated and are fully trained to assume their wartime roles.

We have established the Navy Medical Reserve Advisory Committee which includes medical, Navy line, and Marine Corps participants representing both active and reserve communities. Among the initiatives undertaken by this group are the development of a reserve credentialling procedure, clarifying the contingency role of Dental Corps officers and technicians, and focusing Navy efforts in resolving the recruiting, retention, and training shortfalls for Hospital Corps personnel.

The Chief of Naval Reserve Force Medical Flag Council has been formed to focus the leadership and management expertise of the Medical Department flag officers on reserve matters. This body has been the key in defining the issues to improve training, administration, and readiness of the Selected Reserve.

We are requesting reserve end strength for fiscal year 1985 of some 13,000 Medical Department personnel, an increase of 1,400 over last year. We need this growth to allow us to staff our new contingency units. These reserve personnel are planned to staff several of our 1,000-bed communication zone fleet hospitals as they come on-line and will augment staffing of other fleet hospitals and the hospital ships. In addition, the Selected Reserve will bear primary responsibility for reestablishing CONUS casualty care capability after early deployment of the active force.

The programs for fleet hospitals and hospital ships are on track. Procurement of the first four fleet hospitals commenced in fiscal year 1983 and will result in 1,500 combat zone beds on-line in 1985. These beds have been designated to support the Marine Corps maritime prepositioning ships program. The fiscal year 1984 procurement includes two 500-bed and one 250-bed combat zone fleet hospitals.

The fiscal year 1985 budget includes funds for both combat zone and communications zone fleet hospitals.

In-theater capability enhances force sustainability and combat unit integrity by increasing the numbers of casualties who can be returned to duty. To ensure that these systems are cost effective and can be used across Service lines, we have worked closely with the other Services to standardize the maximum number of components possible.

Thanks to the strong support of the Congress, two hospital ships, each with 12 operating rooms and 1,000 beds, are much closer to becoming a reality. Initial operating capability for the first ship is September 1986. The contract for the second hospital ship was awarded in December 1983 and it is expected to be on-line by June 1987. These ships will be maintained in reduced operating status ready to deploy in five days. One will be homeported on each coast of the United States. They will provide a highly versatile and mobile capability to respond rapidly to the area of greatest need.

At present, the 1,000-bed Rapidly Deployable Medical Facility (RDMF) is on station afloat in the Indian Ocean in support of the Commander-in-Chief, U. S. Central Command. The staff members needed for these hospitals are identified. Training of the designated personnel has proceeded according to plan.

To increase at-sea readiness, we have augmented the LHA and LPH class amphibious ships with medical supply blocks. The materials contained in the supply blocks provide additional operating room and intensive care nursing capability to these ships.

Each deployed LHA and LPH in the fleet has received the material augmentation package. The personnel to support this effort are assigned to Mobile Medical Augmentation Readiness Teams (MMARTs). Teams are kept on a rotating 48-hour alert at their parent medical treatment facilities. During operational deployments and most exercises, the augment personnel are onboard. The effectiveness of these initiatives was clearly demonstrated by the immediate and professional medical response in Lebanon and in support of the Grenada operation.

Achievement and maintenance of medical readiness requires comprehensive and thorough training programs. Medical personnel must be adequately trained to function in every wartime environment. To that end, we have implemented a number of training programs and are developing others, both independently and in cooperation with the other Services. Medical readiness training is a required part of Navy internship programs and we have continued our policy of requiring one year of operational experience between internship and residency training. We also require our interns to complete the Combat Casualty Care Course (C-4). This practice of requiring a broad-based clinical internship, C-4 training, and a tour with the operational forces is providing us with militarily experienced medical officers. I am requiring training in advanced cardiac and advanced trauma life support for all physicians and dentists assigned to deployable units. C-4 training is provided to many of our Dental, Nurse, and Medical Service Corps officers as well as to Physician Assistants. Reserve officers attended this course for the first time in 1983 and the 1984 plan includes medical and dental reservists.

In addition to C-4, which emphasizes hands-on treatment and provides experience living and operating in the field, we have developed programs in tropical, cold-weather and desert warfare medicine.

The tropical medicine program, located in Panama City, Panama is conducted under the auspices of the Gorgas Memorial Laboratory. The training period is six weeks and includes didactic instruction, hospital experience in tropical diseases, jungle survival, and field trips to remote areas.

The cold-weather medicine course was developed by the Health Sciences Education and Training Command primarily for medical personnel assigned to the Marine Corps. Initially, training was conducted at Camp Ripley, Minnesota, but during the coming year it will be conducted at the Marine Corps Mountain Warfare Training Center, Bridgeport, California.

The desert warfare medicine course, also being developed for personnel assigned to the Marines, will be taught for the first time this year at Twentynine Palms, California. For chemical warfare training, Navy personnel attend the Army's course on Medical Management of Chemical Casualties at Aberdeen, Maryland.

Our unit training program for personnel assigned to deployable systems is well underway. In addition to training personnel assigned to the Rapidly Deployable Medical Facility, we are planning to begin fleet hospital training in fiscal year 1986. Rapidly Deployable Medical Facility training will continue until the fleet hospital program is in place. We are also developing the training program for the hospital ships.

I cannot overemphasize the importance of readiness training for our people. It is the tie that binds the entire system together and is essential to medical readiness.

The Navy's Medical Department staffing picture is improving. Due to continued Congressional support of the Armed Forces Health Professions Scholarship Program and the Uniformed Services University of the Health Sciences, we are experiencing the benefit in the Medical Corps of a stable source of high quality accessions. While we still have shortages in some of the medical specialties today, the initiatives taken to alleviate these problems should be effective and we project achieving authorized strength in most of the active duty surgical and related specialties in a few years.

Navy initiatives to improve physician retention and correct specialty imbalances are multi-faceted. We have targeted our recruiting efforts toward the critical specialties. Careful management of training assets by increasing to the maximum positions in Navy residency programs and sponsoring residents in civilian institutions in specialties that are still projected to be below authorized levels is starting to have the desired positive effect on the specialty mix. Navy active duty deferrals for scholarship students to complete civilian residency training focus on shortage areas.

Adequate compensation has been a decisive factor in meeting our staffing goals. Your continued support for medical and dental special pay programs is critical to our continued success in filling our requirements.

Equally vital to the provision of comprehensive health care in both wartime and peacetime are the highly skilled Hospital Corpsmen and Dental Technicians. I strongly urge extension of the authority for enlistment and reenlistment bonuses as these programs are essential to ensure adequate manning of the enlisted force.

Medical planning for contingency operations is critical. We have significantly increased our planning capability with the new organization. Members of my staff work very closely with the Joint Staff and the operational commanders to ensure that medical requirements are identified and that actual medical capabilities are an integral part of tactical plans.

In order to ensure the quality of fleet medical planning, a billet has been provided for a Commander, Sixth Fleet Surgeon and a Medical Corps captain has been assigned. A similar position has been approved for Commander, Seventh Fleet.

Our basis for developing and validating support requirements will be significantly improved by the Afloat Casualty Estimation System. This computer model will enable us to estimate casualties for specific ships hit with various types and quantities of weapons or to estimate casualty rates based on a particular scenario. These models, along with our participation in the tri-service modeling effort at the Army's Academy of Health Sciences, will facilitate Navy-unique input into planning models and enhance our ability to apply model results in our contingency planning process.

Within the direct health care system, cost containment has been a major issue. Navy, together with the other Services, made a successful effort during fiscal year 1983 to increase its in-house workload, thereby reducing the use of CHAMPUS by our beneficiaries.

The Office of the Secretary of Defense established a goal for each Service to reduce the number of CHAMPUS Certificates of Nonavailability by five percent in 1983. Navy exceeded this goal significantly with a 21 percent reduction in Certificates of Nonavailability.

The productivity program for each medical treatment facility resulted in a system-wide increase in admissions, outpatient visits and births.

In order to continue this momentum, we have issued goals for reducing CHAMPUS use to each hospital for fiscal year 1984. I anticipate continued success in containing cost and improving the productivity of the direct health care system. Unanticipated staff absences due to contingency support requirements such as those experienced last fall in Beirut and Grenada, may impact on our ability to meet these goals. The requested increases in active duty manpower are critical to our efforts to continue increasing the proportion of patient care provided in the Navy direct care system and reducing CHAMPUS costs.

Our Quality Assurance Program has matured significantly since its inception. The quality assurance manual which standardizes procedures is undergoing revision to incorporate new requirements. There are quality assurance positions at all levels in the restructured organization. The critical element of our Quality Assurance Program is the credentialling process. Although this has been a part of our program for a number of years, our emphasis has increased. In 1983, there was a significant increase in the number of adverse credentials actions. This increase is a result of tighter controls, not less capable providers. We are developing new initiatives to credential reserve personnel and those in operational assignments prior to deployment. We also are applying much tighter review to our new accessions.

We are in the process of evaluating a procedure termed occurrence screening, whereby medical treatment is evaluated for unexpected occurrences as a method to measure individual provider performance. This procedure is widely used and accepted in civilian practice, and is accepted by the Joint Commission for Accreditation of Hospitals. It is, however, manpower intensive and requires significant automated support for full implementation.

We are requesting funds for automated data processing equipment to provide a medical information system to oversee our Quality Assurance Program. Quality assurance of medical care is a major requirement for hospital accreditation. This automated data system is needed to handle the multi-faceted data to ensure compliance with accreditation standards documenting the quality of health care delivery for Navy and Marine Corps beneficiaries.

Attaining accreditation by the Joint Commission for Accreditation of Hospitals has become part of the mission of our hospitals and large clinics and we have been quite successful in meeting this standard. All but four of our small hospitals are accredited and these will be surveyed this year.

Overall, we have a solid base for a system which will ensure quality medical care equal to or better than that available anywhere.

While our major emphasis has been on medical readiness and health care delivery, we have made steady progress in other areas as well. The major restructure of the Navy Medical Department which officially began in 1982 is in the final stages of implementation. The basic organization is in place, people are onboard in most areas, and our objectives are being met. We have clearly separated policy development from program implementation, enhanced command and control, and are instituting an extensive management development program for officers. Overall, much progress has been made in a short time. We are now in the process of self-evaluation to determine what follow-on actions are needed. As the organization matures, we will see tasks and roles more clearly defined which will, in turn, enhance our ability to meet our missions.

The initiatives that will have the greatest long-term impact on Navy medicine are our management development programs designed to prepare Medical Department officers of all Corps for increasingly responsible leadership and management positions within the Medical Department structure. The underlying philosophy of these initiatives is to identify, train, and assign the best qualified individuals to these positions, including command, without the traditional constraints of Corps designators except where valid requirements exist for a certain Corps.

To facilitate this, we have identified a new billet designator, 2XXX, which indicates that positions can be filled by any Medical Department officer possessing appropriate qualifications. We have instituted procedures to identify these billets and to identify criteria for use by assignment officers in selecting candidates to fill them. We have instituted procedures to identify officers of all Corps with the potential early in their careers who can be groomed for top leadership positions through professional development assignments and formal training. We have begun sending our prospective geographic medical command and hospital commanding officers through the Major Shore Station Management Course with their line counterparts. The first Leadership and Management Development Course designed specifically for senior Medical Department officers was held in April. We are routinely holding major command screening boards and the process is working well.

Our current emphasis is at the senior level, but we are developing programs for our mid- and junior-level managers as well. The full impact of these initiatives will come when these junior officers reach top leadership positions in the Navy Medical Department.

In conclusion, the Navy Medical Department has tangible evidence of its progress. We were able to rapidly and professionally respond last fall to the two separate, but concurrent contingency requirements of Beirut and Grenada. We have maintained a health care delivery system at peak operating level, delivering quality health care services to millions of beneficiaries, while undergoing a major reorganization of unprecedented proportion. These accomplishments were possible because of the professionalism and dedication of the people who make up the Navy Medical Department.

Our plans for the future are to maintain this course and to continue our efforts to ensure that resources and trained people are available to meet both our contingency and peacetime health care roles. This concludes my formal statement.

BIOGRAPHY OF
VICE ADMIRAL LEWIS H. SEATON, MC, USN
SURGEON GENERAL OF THE NAVY

Vice Admiral Lewis H. Seaton, a native of Western Pennsylvania, received his Bachelor of Science, Magna Cum Laude from the University of Pittsburgh in 1952, followed by a Doctor of Medicine degree in 1955. He was commissioned as Lieutenant (junior grade) and reported to the U.S. Naval Hospital, San Diego for an internship which he completed in 1956. After training in radiobiology at Reed College and various federal nuclear facilities, he participated in nuclear weapons testing operations at the Nevada Test Site in 1957. Later that year, after graduating from Deep Sea Diving School and Submarine School, he reported for submarine duty as the squadron medical officer of Submarine Squadron FIVE.

The admiral received on-site training at the Nuclear Power Training Unit, Arco, and was then assigned to the precommissioning detail of USS SEADRAGON (SSN-584), serving onboard during its historic polar cruise in August 1960. Upon detachment from SEADRAGON, the admiral reported to the precommissioning detail of the Navy's first nuclear powered aircraft carrier, the USS ENTERPRISE (CVN-65), where his sea duty included the quarantine of Cuba in 1962.

Vice Admiral Seaton returned to submarine duty in 1963 and served successive tours as the medical officer with Submarine Flotilla SIX and with Submarine Squadron SIXTEEN on its initial deployment to Spain.

After completing his ophthalmology residency at the National Naval Medical Center, Bethesda, Maryland, in 1967, the admiral served as Chief, Ophthalmology Service and Director of Interns at the Naval Hospital, Jacksonville, Florida until 1973. He then returned to the National Naval Medical Center as Chairman of the Department of Ophthalmology.

In July 1977, Vice Admiral Seaton assumed command of the Naval Submarine Medical Center, and was promoted to flag rank on 1 May 1980. He then assumed duties as Fleet Surgeon of the Pacific Fleet, and Command Surgeon of the Pacific Command. Upon completion of that tour, Vice Admiral Seaton reported to the Bureau of Medicine and Surgery as Assistant Chief for Health Care Programs. He assumed command of the Naval Medical Command, Washington, DC upon its establishment in 1982, and remained there until nominated and confirmed to become the twenty-ninth Surgeon General of the Navy. He was then promoted to his present rank and assumed the duties as Surgeon General and Director of Naval Medicine in June 1983.

Vice Admiral Seaton is a diplomate of the American Board of Ophthalmology, a fellow of the American College of Surgeons, and of the American Academy of Ophthalmology and Otolaryngology. He is a member of the Society of Medical Consultants to the Armed Forces and has held various offices in the Society of Military Ophthalmologists. His academic positions have included Associate Professor of Ophthalmology at George Washington University and Associate Professor of Surgery (Ophthalmology) at the Uniformed Services University of the Health Sciences. The admiral's military awards include the Legion of Merit with Gold Star, Meritorious Service Medal with Gold Star, Navy Unit Commendation Ribbon, Navy Expeditionary Medal, the National Defense Medal, and Armed Forces Expeditionary Medal.

Vice Admiral Seaton is married to the former Doris Jane Long of Sharpsville, Pennsylvania. They have three children, Lewis of Ventura, California; Mrs. Linda Hutton of Charleston, South Carolina; and Diane, a student at the University of Virginia.

May 1984

PREPOSITIONED 500-BED HOSPITAL

Senator **Rudman**. Thank you, gentlemen.

Senator Inouye, do you have any questions?

Senator **Inouye**. Thank you.

How long does it take to mobilize and put into full operation your prepositioned 500-bed hospitals?

General **Bralliar**. I would hope that it could be ready to start receiving patients within 3 days. It is the amount of time that it takes the personnel to staff that facility to get there from CONUS, or from where they are coming to staff it.

The advertised time period is 5 to 7 days. I don't think that it will take that long. It is how long it takes to get the airlift and to get the people there. You must remember, please, that the whole core element is set up. The ward units are not set up because the housekeeping detachment can start when they get the message.

Senator **Inouye**. How long will it take for a 1,000-bed packaged hospital to be in full operation?

Admiral **Seaton**. The 1,000-bed packaged, fleet hospitals are designed for the communication zone, and because of both their size and where they are located, we feel that they could be ready to take patients in 5 to 10 days.

Senator **Inouye**. Five to ten days?

Admiral **Seaton**. Yes, sir, depending on whether the buildings would be ready.

TENT CITY FIELD HOSPITALS

Senator **Inouye**. Does the Army still maintain the World War II type tent city field hospitals?

General **Huycke**. Yes, we still have a good number of our hospitals in tents. The new buy in field medical equipment will be returning more actively to tents. The MUST equipment which was in the inflatable, balloon like, blimp like tent will be replaced by tents.

Tents are lighter, easier to put up, easier to maintain. It is hoped, after some 6 years of this program of getting new equipment, that we will have all of our field combat zone, communication zone hospitals.

Senator **Inouye**. How long will it take to build a field hospital and bring it into operation?

General **Huycke**. The rule of thumb, when I was at Levenworth, is that it takes 1 month and one combat engineer battalion to erect one evacuation hospital, that is from preparing the land on up. Obviously, that hospital could begin receiving patients before that time, but to have the full 400 beds all operational, it takes about 1 month.

ANIMAL USE IN RESEARCH

Senator **Inouye**. I would like to ask all of you a question that has plagued me for several months.

As you may be aware, I was the sponsor and author of an amendment to permit the military hospitals the use of animals for research on gunshot wounds, and such. How necessary is it to use animals for such research? I am talking about the so-called cat and dog amendment that I have, which caused me to receive something like 3,000 letters.

General **Huycke**. Senator, if I may answer it. I have been remiss that I did not write you a letter on the other side.

I speak very personally about this. When I came into the Army, I took my initial training at Fort Sam Houston. I received training on a goat that was shot by a high velocity missile. That impressed me. I had never seen anything like that in my civilian medical school, and my civilian internship training, and I didn't see anything like that in my Army residency program.

I did see it there. I saw the destructiveness of that missile. I saw what had to be done to debride it. I also saw how to do a tracheotomy, how to remove air from the chest cavity where it shouldn't be.

I then went on to be an internist, and the only sharp instrument I was allowed to touch was my own razor. But in Vietnam, I successfully debrided minor wounds. I did tracheotomy on patients, and it was as a result of the training on animals, the goat.

I think that it is vitally important to all, particularly young physicians in the military, that they see this. They do not see this in their civilian or in our peacetime practice. I think that they must see it and gain some appreciation of what it is like to deal with wounding from high velocity missiles, and it can only be done with animals.

I appreciate very, very much what you have done to try to maintain this.

Senator **Inouye**. There is no law that it violates.

General **Huycke**. There is not, sir.

Senator **Inouye**. Do you have a comment?

General **Bralliar**. I agree with Ed completely. We would not be able to accomplish our war readiness training without the use of animals.

Senator **Inouye**. All of you, I presume, follow the dictates of certain standards that have been set for hospitals that use animals.

General **Bralliar**. There is a charter or a bill of rights that has been set for the use of animals, and we all closely adhere to that.

Senator **Inouye**. Does the Navy involve itself with the use of animals also?

Admiral **Seaton**. Yes, sir, and I support what my other two service Surgeons General have stated. All of the animal facilities, as they said, must meet a set of standards and ours do.

Senator **Inouye**. I assume that you are not using dogs and cats?

Admiral **Seaton**. We have no facilities for wound training in operation at this time using dogs or cats.

Senator **Inouye**. What sort of animals are we using?

General **Huycke**. Senator Inouye, for the training of wounding, goats are solely used in the Army. We do use dogs for other types of medical research. For instance, the dog is considered almost the gold standard of some types of medical research for NIH and also for our own Medical Research and Development Command. But the wounding is solely done with goats.

SUBMITTED QUESTIONS

Senator **Inouye**. I would like to submit questions.

Senator **Rudman**. Without objection.

I might add that Senator Inouye and I have had in our files, I will refresh his recollection, since shortly after that debate, a letter from the same young man at the RMTC who wrote in outrage that we were thinking about denying that right, saying that had he not had that training, he would have lost a number of the first patients that he treated at that center. We both have that in our files.

I don't have any questions. We will submit some questions for the record. The record will be kept open for probably 10 days.

We thank you all very much for being here.

Senator **Inouye**. Mr. Chairman, I would like to say that I feel much better now than I did before the hearing.

In my case, I spent about 2 years of my life in military hospitals, so there is a special interest on my part, and I would like to see our men receive the best treatment because I did receive the best treatment when I was there.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Medical Operations

QUESTION: Mr Secretary, not including the additional cost of military retirement, it appears the cost of medical operations will increase by approximately $500 million to about $8 billion in FY 1985. Aside from CHAMPUS and the legislative proposals in the FY 85 request, what has the Defense Department done to control health care costs?

ANSWER: In this past year, the Department has been involved with several initiatives in the health care cost containment area. First, in concert with the Veterans Administration, we have implemented a health resources sharing program between military and VA facilities throughout the United States. We have 46 agreements in operation since actual implementation of the program in January of this year. Costs for those services being shared have been reduced from 30 to 50 percent of the cost of obtaining these services from the civilian communities. The joint acquisition and operation of high cost diagnostic equipment is another area where the sharing program has provided positive cost containment gains.

We are currently renegotiating the reimbursement mechanisms for the former Public Health Service facilities and the preliminary indications are that we will be able to contain the cost growth of this program.

We are nearing the final phase of full implementation of the Defense Eligibility Enrollment System. This program has saved millions of dollars through the identification of ineligible individuals previously receiving care in our facilities.

The Department has proposed legislation requiring coordination of benefits for the military direct health care system. This proposal would require our system be reimbursed from insurance carriers who have written policies on beneficiaries receiving care in military hospitals.

We have also proposed draft legislation which would be the CHAMPUS program to the cost effective medicare prospective payment mechanism.

Our efforts to reduce the number of beneficiaries utilizing CHAMPUS within military medical facility catchment areas have been extremely successful. Last year the Services markedly reduced the number of nonavailability certificates thereby controlling the Departments' outlays for civilian health care.

We have completed, with the help of the Rand Corporation, a feasibility study of a closed enrollment system. Although, the feasibility of executing the full concept is questionable, the analysis performed by the Rand Corporation has identified several areas which have a high potential for management improvements and subsequent cost savings which we will explore.

Lastly, we are following very closely the efforts of the Services in the development of new productivity and performance measures of the provision of health care services. These current measures are inappropriate for today's practice of medicine and, in fact, provide some disincentive to the effective use of resources at the medical treatment facility level. These efforts follow the lead established by the Department of Health and Human Services with the medicare program and are based upon a product versus a process orientation.

Health Care Costs

Question. What percent of the spending on medical operations is primarily for wartime readiness?

Dr. Mayer. The medical operations budget does not have a separate accounting category for wartime readiness. While it is possible, on an appropriation basis, to match dollars against selected medical readiness procurement, construction, research and training programs, I believe that we need to be able to measure the full operational costs of our readiness programs and to have an information system to report these costs to all levels of management. My proposal to increase Health Affair's resource management control would seek ways to capture all medical dollars in the budget process, to the degree practical, and strengthen cost estimating methodologies for identifying the dollars devoted both to the wartime and peacetime medical missions.

Question. Judging from the funds associated with care in medical facilities, it appears that more than $6 billion in the DoD budget is primarily for peacetime health care. Do you think that this is an accurate assessment? What is your assessment of the peacetime health care costs?

Dr. Mayer. As stated above, the dollars used to operate the military medical system are mixed together to support both readiness and peacetime medical missions. In considering my health care cost concerns, the numbers speak for themselves. Any item that costs 3 to 4% of the Defense Budget and continues to experience cost growth, although it is not as large as the growth in health care costs nationally, creates management concern. Although funding is always tight and resources must be based on mission priorities, the current DoD health care cost allocation process is not without problems. I believe my proposal to give the ASD(HA) greater control over allocation of medical dollars would strike a more effective, long-term balance between competing medical mission needs. I am also working within the DoD Program review process to realign existing resources to enhance readiness capabilities. In addition, I am supporting several cost containment initiatives to maintain efficient peacetime health care for our eligible beneficiaries.

DoD Medical Activities

QUESTION: According to figures provided to the Committee, it appears that the level of Reservists supporting health care will decline in FY 1985. Is this a correct interpretation?

ANSWER: No, in previous testimony the fractional descriptor was used to approximate the percentage; i.e., 62% was rounded to two-thirds. The level of Reservists supporting health care has not declined, but remains at approximately 62% of the total wartime requirement.

MEDICAL OPERATIONS

QUESTION: Mr. Secretary, this year's legislative request by the Defense Department included a provision to charge private insurers for care provided in military facilities to non-active duty beneficiaries who have private insurance coverage. What is the status of this legislation?

ANSWER: DoD's legislative proposal, 98-143, was coordinated with the Services, approved by the General Counsel, and forwarded to OMB on 28 March 84. While being reviewed at OMB, Congressman Aspin introduced H. R. 5372, a similar proposal. On 11 May 84 DoD expressed support of H. R. 5372, provided it was amended to give authority to the Department to retain the collections. Consequently, OMB filed 98-143 and has no plans to take further action.

On 11 April 84, H. R. 5372 was reported out of the House Armed Services Committee without the amendment. The bill is currently awaiting floor action as a free standing bill.

QUESTION: That proposal is closely related to a compromise position contained in the FY 1984 Defense Appropriations Conference Report. Considering that your legislative request was not included in the Senate Armed Services reported bill, or the House passed bill, what are the Defense Department's plans now to attempt to get this legislation approved?

ANSWER: DoD is continuing to work with the Armed Services Committees to obtain effective legislation. We are still seeking the passage of H.R. 5372 with the amendment.

QUESTION: The Committee received testimony from public witnesses who claimed that your proposed legislation would have an ill effect on the efforts of local communities to control health care costs, because the locals have no control over DoD hospital costs. How do you respond to this criticism?

ANSWER: DoD hospital costs are as vigorously controlled as those of the civilian community. The health care budget within the Department has risen comparably to the civilian sector in recent years.

QUESTION: This Committee noted last year that implementation of this proposal would necessitate higher private insurance premiums, and that private insurers would therefore need time to adjust rates before implementation. Can you tell us if any progress has been made in implementing this directive, either in DoD or in private industry?

ANSWER: DoD has identified certain administrative steps to be taken as soon as there is some probability of the enactment of appropriate legislation. We have no knowledge of private industry's progress.

QUESTION: Will there be a disproportionate increase in insurance costs in areas with high military personnel concentration?

ANSWER: To our knowledge there should not be a disproportionate increase in insurance costs in these areas.

QUESTION: If the Congress mandates implementation, what is your latest estimate of the net savings for DoD? When would savings start to accrue? Can you verify these estimates?

ANSWER: Expected recovery costs in the first three years are as follows:

	Million
First Year	$25
Second Year	$250
Third Year	$250

It is estimated it would take at least 9 months after the passage of legislation for savings to begin to accrue. These estimates represent our best judgment.

QUESTION: Will DoD allow private insurers to inspect records and conduct audits to assure reasonableness in charges?

ANSWER: Private insurers would be allowed to review our computation of charges.

Medical Copayment Charges

QUESTION: Last year this subcommittee included a provision to charge a modest fee for dependent and retiree outpatient visits at military medical facilities. Has your opposition to this issue changed?

ANSWER: No. I believe we can address the issues of cost and demand for health care in more positive ways such as through the use of alternative contracting mechanisms, negotiated provider fees, and improved catchment area management. These issues will be addressed in our forthcoming report to the Committee.

QUESTION: The Senate Appropriations report required a further study of this issue. What is the status of that report?

ANSWER: The report is almost completed and will be forwarded to the Committee by June 30, 1984.

QUESTION: Will this study respond to the Committee's concerns regarding unnecessary hospital visits, and the impact of these visits on congested facilities and costs?

ANSWER: Yes.

QUESTION: If the Congress were to direct the Defense Department to charge a fee, would you prefer charging all members the same amount, or basing the amount on the ability to pay.

ANSWER: The Department would need to research that issue before an answer could be given.

QUESTION: A recent report from CBO said that charging enlisted personnel $5 and officers $10, with family maximums, would cost the average enlisted person $40/year and officer $90/year while saving about $170 million. CBO claims the average American pays about $2,000/year for health care. Considering the Assistant Secretary of Defense, Dr. Korb, told the Committee military pay is now fair, why wouldn't a modest fee be acceptable.

ANSWER: The Department has long contended, and the Congress has supported the idea, that military members and their families must tolerate living conditions which are not comparable to other Americans. For the most part, the military compensation scheme has attempted, with Congressional assistance, to reconcile the appreciable disparity between these military and civilian lifestyles. Inherent in the compensation plan which recognizes the contribution of the military member is the provision of many benefits, of which medical is only one. It is for this reason that the Department cannot support reductions in those benefits which are a part of of the military member's pay without equally offsetting increases in compensation.

QUESTION: Without instituting a model fee for care, what additional reforms are you prepared to recommend to control health care costs in military hospitals?

ANSWER: As I have previously noted, the issue of controlling utilization with financial disincentives for the beneficiary population does not appear to have a pay out consistent with the risks to the readiness and mobilization mission of the Department. Civilian employers are finding that the real gains in containing the cost of providing a health benefit to employees has come from incentives for the providers to control utilization of health resources. The rapid rise in the number of health maintenance organizations, preferred provider organizations and independent provider associations attest to their increasing reliance upon the provider to control these costs. My staff is currently pursuing, with the Services, new incentive mechanisms for our facility commanders and their provider personnel for the better utilization, including peer review, of health care resources. As their recommendations come forward and are suitably tested, I am prepared to initiate changes to our system.

Health Care Reports

Question. Mr. Secretary, last year this committee requested several reports on different health care issues. Can you provide the status of each report for the record?

Dr. Mayer. The information follows:

SUBJECT	REPORT DUE	STATUS
Health Insurance Coordination	1Jun84	Transmitted 7Jun84
Outpatient Visit Fee	1Jul84	Being staffed in DoD
Dental Benefit	30Jun84	Being staffed in DoD
Nonphysician Providers	15Jun84	Extended to 9Jul84 Being staffed in DoD
Licensing/Certification	1Sep83	Extended to 15Mar84 Transmitted 15Mar84
CHAMPUS Biofeedback	1Apr84	Transmitted 12Mar84 Followed up 14May84
CHAMPUS Fraud & Abuse	31Jul84	Being staffed in DoD
CHAMPUS Liver Transplants	15Mar84	Extended to 1Oct84

Health Affairs Management

Question. Dr. Mayer, an article in yesterday's edition of Defense Week noted your proposals to centralize management of health affairs. Can you expound on this matter?

Dr. Mayer. Since the Assistant Secretary of Defense for Health Affairs has statutory responsibility for overall supervision of the health affairs of the DoD, I have recommended to the Secretary that the Health Affairs charter be revised to reflect that responsibility and that the ASD(HA) be given the authority and assigned the functions necessary to carry out this responsibility. My proposal gives the ASD(HA) greater control over the allocation of medical dollars and medical manpower spaces. The revised HA charter has been reviewed by the OSD staff and the military departments. Their comments will be provided to the Secretary who will make a decision on the proposal. The degree to which my office will exercise control over medical resources will evolve from that decision and the resulting charter for Health Affairs.

Question. How does your idea differ from the creation of a Defense Health Agency?

Dr. Mayer. Unlike the proposed Defense Health Agency, the Health Affairs charter change does not (1) establish another bureaucratic layer, (2) separate the peacetime and the wartime systems, nor (3) cause the disruption of a major restructuring. My alternative to the DHA does not propose that the Planning, Programming, Budgeting System nor the JCS Joint Operational Planning System be changed. We propose to operate within these systems but have increased authority over the medical planning and resource decisions that are made within the systems. The specific procedural changes are still to be determined.

Question. What problems do you believe exist at this time that need to be resolved?

Dr. Mayer. The proposal will establish clear lines of authority and responsibility in the management of Defense medical resources. The lack of clarity in this area has been the most significant obstacle we have encountered in our attempts to improve medical readiness and peacetime operations.

Question. How will your proposal aid in wartime readiness and control of peacetime health care costs?

Dr. Mayer. The Office of the Assistant Secretary of Defense for Health Affairs will have greater control over medical resources and give more attention to the planning process. By achieving a more equitable balance between peacetime and wartime programs, the ultimate result will be increased readiness and a more responsive system in wartime. The objective is to improve the efficiency of health care delivery within the Department, to reduce costs, and to achieve that level of medical readiness necessary to support a fighting force. This approach would not create separate structures, it would bring together the separate structures that currently exist.

AUTHORIZATION ADD-ONS

QUESTION: Mr. Secretary, the proposed Senate authorization includes a new CHAMPUS benefit for vision care. What is your estimate of the cost of this benefit?

ANSWER: For all CHAMPUS beneficiaries the estimated cost would be $55.3 million for FY 1985.

QUESTION: Did DoD request this new benefit?

ANSWER: No.

QUESTION: Do you support the authorization add-on?

ANSWER: The Department does not object.

QUESTION: Can you provide the benefit within funds you have requested?

ANSWER: Our present expenditure estimates indicate that CHAMPUS would not be able to absorb the costs of this new benefit.

QUESTION: The Senate bill also contains a provision to cover chiropractic charges. What is the official DoD position on this add-on?

ANSWER: The Department strongly opposes extending by legislation a system of therapeutics which has failed, thus far, to achieve scientific credibility.

QUESTION: What is the best estimate of the cost?

ANSWER: We estimate that the FY 1985 cost of this benefit would be approximately $68 million.

QUESTION: Can you provide the new benefit within the funds you have requested for CHAMPUS?

ANSWER: Our present expenditure estimates indicate that CHAMPUS would not be able to absorb the costs of this new benefit.

VETERINARY USER FEE

QUESTION: General Huycke, in your statement you claim the veterinary fee authorized to take effect in FY 1985 or 1986 will pose a serious deterrent to your animal disease prevention and control program. Can you explain how a minimal fee will have such an effect?

ANSWER: It is difficult to get all junior enlisted personnel to have their animals properly immunized now because of cost. If an additional fee is added to current charges, the number of personnel failing to seek proper care due to financial constraints will increase. This will produce an expanded rabies susceptible animal population. We would anticipate an increased frequency of anti-rabies therapy for animal bite victims due to an increase in the number of unimmunized animals.

The incidence of other animal diseases, or conditions which are transmissible to humans would also increase due to the reduced frequency of examinations and preventive veterinary medical care of the animals.

QUESTION: You note that there are many communities where a $10 fee would be higher than that charged in the private sector. Can you give us a few examples?

ANSWER: Following is a chart which compares civilian vaccination clinic fees with military Animal Disease Prevention and Control Program vaccination fees, including the user fee.

		Civilian Fees	Standardized Fee at All Army ADPAC Clinics
Reisterstown, MD	RV	$ 3.00	$ 12.50
Prince George's County, MD	RV	3.00	12.50

		Civilian Fees	Standardized Fee at All Army ADPAC Clinics
Leominster, MA	RV	$ 7.00	$ 12.50
	DHLP + CPV	8.00	17.50
Columbia, SC	RV	3.00	12.50
Ft. McClellan, AL	RV	5.00	12.50
Dallas, TX	RV	6.00	12.50
	DHLP + CPV	8.00	17.50
Ft. Leavenworth, KS	RV	3.50	12.50
	DHLP + CPV	8.00	17.50
Reno, NV	RV	5.00	12.50
	DHLP + CPV	6.00	17.50
Albuquerque, NM	RV	3.50	12.50
	DHLP + CPV	9.50	17.50
Phoenix, AZ	RV	8.00	12.50
	DHLP + CPV	16.00	17.50
Denver, CO	RV	4.95	12.50
	DHLP + CPV	8.00	17.50
San Diego, CA	RV	5.00	12.50
Walnut Creek, CA	RV	3.95	12.50
	DHLP + CPV	7.00	17.50
Alameda, CA	RV	3.95	12.50
	DHLP + CPV	7.00	17.50
San Francisco, CA	RV	5.00	12.50
	DHLP + CPV	12.00	17.50
Monterey, CA	RV	3.95	12.50
	DHLP + CPV	7.00	17.50
Bremerton, WA	RV	5.00	12.50
	DHLP + CPV	8.00	17.50
Tacoma, WA	RV	3.95	12.50
	DHLP + CPV	7.00	17.50

RV = Rabies vaccine
DHLP + CPV = Distemper, Hepatitis, Leptospirosis, Parainfluenza and Canine Parvo Virus

PHYSICIAN ADMINISTRATORS

QUESTION: Last year the House Appropriations Committee chastised the services, particularly the Army, for using physicians as administrators instead of for providing care. What, if anything have you done to respond to this criticism?

ANSWER: I wish to emphasize that there are many valid positions in any complete health system requiring physician incumbency which do not involve direct patient treatment. Such positions are currently included in the DoD definitions and include public health, occupational safety, preventive medicine, environmental health, nonclinical teaching positions and medical research in a non-clinical environment. These positions are all essential to the health care system and cannot be filled other than by physicians either in the military or in the private sector.

The Army has conducted a thorough review of all physicians in command and leadership positions with an eye to returning any possible officers to patient care duties. This review process, however, is not a one time event for us but rather a continuing process of self review as we attempt to obtain the best possible utilization of all of our health care personnel assets.

PHYSICIAN ADMINISTRATORS

QUESTION: A recent DoD Inspector General Report noted that it is DoD policy to allow Medical Service Corps, non-physicians, to command hospitals. However, the Army restricts MSC officers from commanding Army hospitals, medical centers, and clinics. Is that correct?

ANSWER: The assignment to command positions is not restricted to any one corps, but rather is based upon the specific qualifications and credentials of the individual officer to fulfill the specific needs of the command position. The Army clearly does not exclude Medical Service Corps officers from command. In fact, more Medical Service Corps officers serve in command positions than any officers of the other Corps within the Army Medical Department. The Medical Service Corps of the Army was established in 1947 with one of its primary purposes being providing administrative support to the rest of the health care delivery team. However, as early as 1950 MSC's started on a regular basis to command field medical units. Continuing in more recent years, command positions have been made available to Medical Service Corps officers wherever possible. A few examples are: The Armed Forces Medical Intelligence Center; the US Army Medical Materiel Agency; the US Army Research Institute of Environmental Medicine and the Army Medical Bio-engineering Research and Development Laboratory; US Army Garrison/Fort Detrick; and the US Army Environmental Hygiene Agency. Medical Service Corps officers also have exclusively served as executive officers of medical and dental treatment facilities within which they serve as Deputy Commanders for Administration. They are thus integral members of the total health care delivery team. In these positions, they are key members of the decision-making command group with their specific training in hospital administration. They are thus responsible to the Commander for supervision of all the non-clinical functions such as personnel management, logistics, patient and hospital administration, and comptrollership. These essential support functions are obviously of great importance for the hospital to accomplish its primary mission of hands-on patient care. The Army and the Army Medical Department therefore reaffirm their policy of assigning to positions of leadership, officers whose qualifications best meet the specific requirements of the position to be filled. It should be noted that the Army Medical Department is a military health care team. We are not only acutely aware of the need for each other's services, but have great mutual respect for each other. That sense clearly exists throughout the Army and the Army Medical Department today, and our spirit of cooperation and understanding has not been better.

QUESTION: The report also noted that the other services do not have such restrictions. Why is it necessary for the Army to restrict MSC officers from hospital command?

ANSWER: I wish to reiterate that assignment to command positions is not restricted to any one corps but rather is based upon the specific qualifications and credentials of the individual officer to fulfill the specific needs of that command position.

The military physician with command authority can best insure the delivery of optimum care. In the Army, the physician is responsible to the commander for the health of his command and must, therefore have command authority of those units providing direct care for patients. In that role he can be responsible for the decisions that are inherently an integral part of efficient, rapid and safe delivery of medical care.

QUESTION: Why are you not following official DoD policy?

ANSWER: The central issue to utilization of Army Medical Department personnel in command positions is to assign the best qualified health professional to that specific position of command. The assignment to command positions is not restricted to any one corps, but rather is based upon the specific qualifications and credentials of the individual officer to fulfill the specific needs of that command position. Medical Corps officers are assigned as commanders of medical treatment facilities where patient care is a daily occurrence. The military physician, by virtue of his medical education and training and his progressive advancement in positions of leadership through the hospital structure, is the most qualified officer of the health care team to supervise and command direct hands-on care. With the ever increasing emphasis and appropriate concern for the delivery of quality care, this has never been of greater importance. Assigning the quality of medical care, establishing parameters of practice of health care providers, prioritizing medical equipment procurement needs, and establishing and implementing patient evacuation policies are but a few of the issues which can best and most rapidly be solved by the officer who has the education and experience of a physician. Additionally, and of equal importance, is the fact that each of these senior Medical Corps commanders also serves as the post surgeon and medical advisor to the installation or Army commander of the post where the medical treatment facility is located. The medical commander thus performs double duty and has responsibilities that could not be fulfilled by an officer other than a physician. Finally, it is noteworthy that significant improvements have been made both in the selection process and training of Medical Corps commanders. Specialty board certification and continued credentialling in that specialty have become a prerequisite to recent and all future selections for medical command. Furthermore, experience, as well as training, in executive management are similarly current and on-going requirements for all who would serve in command positions.

Medical Readiness Material

Question. Of the $3 billion requested for medical operations, what is the funding for procurement of medical readiness supplies and equipment?

Answer. In the Fiscal Year 1985 $206 million has been budgeted for the procurement of medical readiness supplies and equipment.

Question. What is the estimated value of the shortfall in Fiscal Year 1985?

Answer. The estimated shortfall is projected to be $1.8 billion. This amount is required beyond the FY 85 budget to equip and modernize the authorized combat hospital force structure, to provide new medical items for other medical units, and for new chemical defense medical items.

Question. What level of funding could be efficiently obligated to reduce your shortfall if funds were available?

Answer. There are no additional funds that can be efficiently obligated in Fiscal Year 1985 above the currently budgeted $206 million. Additional funds were reprogrammed in Fiscal Years 1986-1990 to allow a more reasonable obligation rate.

MORALE WELFARE AND RECREATION FUND INCREASES

QUESTION: What is causing the increase for MWR funding in FY 1985 for medical operations?

ANSWER: The $99 thousand increase over the FY 1984 base of $1,908 thousand represents only a 5% increase in the MWR funding supported by Program 8 Medical. This increase results from both cost and program growth. Cost growth is composed of inflation and civilian pay raise annualization and amounts to $49 thousand. Program growth reflects appropriated fund support for Morale, Welfare, and Recreation and amounts to $50 thousand. The program growth provides appropriated fund support authorized by existing regulations for recreation centers, arts and crafts, and outdoor recreation paid in FY 1984 from nonappropriated funds.

EXCEPTIONAL FAMILY MEMBER PROGRAM

QUESTION: Please describe for what and where funds for "Exceptional Family Members" will be spent.

ANSWER: PL 94-142 and PL 95-561 require free appropriate education for all handicapped children in the United States and overseas. Health related services must be provided which will permit these children to benefit from special education. These services include medical diagnosis, evaluation and treatment. The specific geographic areas of responsibility of the Army Medical Department (AMEDD) includes those CONUS and OCONUS installations to which the AMEDD provides medical support. The AMEDD has established specially trained interdisciplinary teams of health care providers including developmental pediatricians, pediatric physical and occupational therapists, speech therapists, pediatric neurologists, child psychiatrists, child psychologists, clinical social workers, child and family social workers and community health nurses. These teams are composed of military and civilian personnel and are operational at multiple locations throughout CONUS and Europe as well as within Panama and Korea. In OCONUS the teams provide identification, assessment, coding and treatment based upon the special needs of the handicapped children. Services within CONUS are identical except treatment is provided only on a space available basis. The majority of the funding is required for personnel salaries with the remainder intended for the purchase of treatment equipment and supplies.

Military Medical End Strength

QUESTION: Please describe the requirement for increased military medical end strength, and provide a detailed description where the end strength will be allocated.

ANSWER: The increase in military medical end strength is necessary to support improved physician strength, to overcome shortfalls in critical specialties, to support combat forces during contingencies and to train enlisted personnel in basic specialty medical skills.

For FY 85, a total of 90 military spaces will be distributed to activities in regional defense facilities, station hospitals and clinics. The remaining 413 military spaces represent the increase necessary for the training in specialty medical skills. These spaces are allocated to the training base to support the increased need for medical specialists in combat forces.

SPECIAL AND INCENTIVE PAY

QUESTION: What is the average special pay or bonus paid to physicians, dentists, optometrists, and other medical personnel. Please provide your response by job category.

ANSWER: Health professionals special pays are a critical element in our ability to recruit and retain an appropriate number of health care providers throughout the range of medical professions. The following averages for all annual special pays for each category currently receiving such pay are effective as of FY 84.

Category	Average Special Pays
Physicians	$ 13,603
Dentists	$ 10,806
Optometrists	$ 1,200
Other Medical Personnel	$ 1,200

MEDICAL PERSONNEL REQUIREMENTS

QUESTION: What is the overall manning of physicians and dentists?

ANSWER: The overall manning of physicians and dentists in the active force as of the end of May 1984 is as follows:

CORPS	AUTHORIZED	ASSIGNED
Medical	5293	4933
Dental	1773	1774

MEDICAL PERSONNEL REQUIREMENTS

QUESTION: What percent of requirements are filled?

ANSWER: The percent of authorizations filled and the percent of requirements filled by Corps as of the end of May 1984 is as follows:

CORPS	% OF AUTHORIZED FILL	% OF REQUIRED FILL
Medical	93 %	76 %
Dental	100 %	79 %

Requirements represent the minimum essential number of active duty personnel required to completely staff field units, fixed treatment facilities and other activities to support combat, mobilization and contingency missions of the Army. Authorizations are that portion of the total recognized and required manpower needs which can be supported by constrained personnel and fiscal levels, and based on a reasonable expectation of attainable strength (e.g., physicians authorizations are based on current recruitment and retention projections).

QUESTION: What skills are imbalanced in the current force?

ANSWER: There are no significant skill imbalances in the Dental Corps. Skills which are imbalanced (short) in the Medical Corps are listed below:

60C Preventive Medicine Officer
60H Cardiologist
60N Anesthesiologist
61H Family Physician
61J General Surgeon
61K Thoracic Surgeon
61M Orthopedic Surgeon
61R Radiologist
61Z Neurosurgeon
62A Emergency Physician
60E General Medical Officer, is significantly overstrength and used to offset the shortages indicated above.

REVISED BUDGET IMPACT

QUESTION: What will be the impact of the recent budget revision on your medical operations funding?

ANSWER: The recent budget revision for Fiscal Year 1985 reduces travel funding below the Fiscal Year 1984 level. Although we are making every effort to achieve economies by careful management of travel costs, some reduction in travel involving medical training is inevitable. We are in the process of determining exactly which training programs will be affected.

QUESTION: Will there be any civilian or military manpower reductions?

ANSWER: No civilian or military manpower reductions for medical operations were included in the recent Fiscal Year 1985 budget revision. We are aware of overall military manpower reductions proposed by House and Senate versions of the Fiscal Year 1985 Authorization Act.

QUESTION: Last year the Navy requested an increase in manpower for medical operations. It appears that there has been a reduction in your military end strength for peacetime health care in 1984. Is this correct?

ANSWER: In the President's Fiscal Year 1984 budget, we requested 28,755 military end strengths. Congressional authorization action denied most of the increase requested. When other transfers and internal Navy realignments are considered, military manpower authorized for peacetime health care for Fiscal Year 1984 remains at about the same level as Fiscal Year 1983.

QUESTION: If so, what affect did the reduction of military end strength have on your ability to provide health care?

ANSWER: The removal of the requested increase in military end strength has hampered our efforts to decrease dependence on CHAMPUS by providing more health care in our facilities. A far greater effect of the manpower reduction, however, relates to our ability to meet trained medical manpower requirements for contingencies.

SPACE AVAILABLE DENTAL CARE

QUESTION: The Senate Armed Services has included a provision to expand space available dental care. What is your feeling on this change?

ANSWER: Dental care for dependents should be an integral part of total health care benefits but the expansion of space available authority to include dependent dental care would provide little actual relief for Navy and Marine Corps dependents. At the present time, the limited number of space available appointments are used by Navy and Marine Corps retired personnel. The proposed language would give dependents a higher priority for care and effectively eliminate an existing and long-standing benefit for our retired members. It would raise expectations among dependents that dental care would be available in Navy facilities without the resources to fulfill those expectations. The realization that dental care was an unfulfillable promise could have a negative impact on morale. Since treatment is limited to space available, comprehensive treatment will be impossible. The patient will be shuffled back and forth as space available and manpower vary in response to active duty demands. In order to provide an equitable distribution of our limited resources, it is essential that we retain the present eligibility of both dependents and retired personnel as specified in existing law.

MEDICAL ADP FUNDS

QUESTION: What are the total funds for ADP programs by program and appropriation for Navy medical activities in FY 1985?

ANSWER: Total funds requested for Navy medical ADP programs are displayed by appropriation and program for Fiscal Year 1985.

(Dollars in Thousands)
Programs

Appropriation	Clinical Systems	Occup Health	Training Systems	Admin and Financial	Total
Other Procurement, Navy (Computer Acquisition Program)	867		525	1,685	3,077
Operation and Maintenance, Navy 1/	9,771	1,279	253	6,953	18,256
Research, Development, Test and Evaluation, Navy	2,202				2,202
Military Pay, Navy 2/	439			782	1,221
Program Totals	13,279	1,279	778	9,420	24,756

NOTES: 1/ Includes transfer of $4,667 from Operations and Maintenance, Defense Agencies for TRIMIS systems.
2/ Includes new retirement accrual at 51 percent of base pay.

QUESTION: What is the level of funding in FY 1984?
ANSWER: The Fiscal Year 1984 level of funding is displayed.

(Dollars in Thousands)
Programs

Appropriation	Clinical Systems	Occup Health	Training Systems	Admin and Financial	Total
Other Procurement, Navy (Computer Acquisition Program)			344	1,935	2,279
Operation and Maintenance, Navy	4,671	411	155	6,070	11,307
Research, Development, Test and Evaluation, Navy	2,270				2,270
Military Pay, Navy	275			516	791
Program Totals	7,216	411	499	8,521	16,647

MEDICAL TRANSFER

QUESTION: Regarding the transfer of responsibility from Bangor to Bremerton, (P.8-88), what is the corresponding decrease in funding from BA-2?

ANSWER: The decrease in funding is $887,000. This transfer is explained on page 1-1-47 in Budget Activity-1. The increase ($887,000) to Budget Activity-8 is found on pages 8-88 ($480,000), 8-95 ($159,000), and 8-182 ($248,000).

CONTACT LENSES

QUESTION: On what data is the estimate for contact lenses for submarine personnel based?

ANSWER: The estimate for contact lenses for submarine personnel is based on total submarine officer and quartermaster manning of 3,000 individuals and 450 new students graduating per year. The $132,000 requested allows set up of eight locations at submarine support facilities and provides lenses for 750 persons in Fiscal Year 1985. When the program is in full operation (Fiscal Year 1986), we estimate that 1,500 pairs will be required annually.

DENTAL PROCEDURES

QUESTION: On what data is the estimate for dental procedures based?

ANSWER: Dental procedure estimates are based on manpower availability, facility changes, and dollar availability compared against like items for the last full year preceding budget preparation.

QUESTION: What caused the decrease from FY 1983 - FY 1984?

ANSWER: The 4.3 percent decrease in dental procedures from Fiscal Year 1983 to Fiscal Year 1984 reflected in the President's budget for Fiscal Year 1985 was estimated based on plans current at the time of budget preparation:

a. Training schedules: Increased attendance of Dental Officers planned at Combat Casualty Care Courses reduced dentist availability by an estimated 3 percent.

b. Consolidation of Dental Prosthetic Laboratories, begun in Fiscal Year 1983, was not completed until later in Fiscal Year 1984. Personnel turbulence related to that consolidation was estimated to reduce laboratory output by 7 percent.

The effect of the two actions planned for Fiscal Year 1984 thus reduced the overall dental workload estimate by 4.3 percent. Actual experience during the first six months of Fiscal Year 1984 indicates that the overall reduction from Fiscal Year 1983 will approximate only 2 percent.

NAVY MANUAL UPGRADE

QUESTION: What aspect of the Naval Aviator Physician Training Manual needs updating? Why?

ANSWER: The Naval Aviation Physiology Safety Manual was last updated in 1972. Since that time, new state of the art information has been developed for tactical and anti-submarine warfare aircraft medical problems such as loss of consciousness and spot disorientation. Additionally, increased emphasis on aircrew safety and survivability, changes in life support equipment, and new search and rescue procedures need to be incorporated. Finally, new aircraft such as the F/A-18 and SH-60 must be added as well as current data on chemical/biological warfare, lasers, and physical fitness for aircrew members. The nature of these changes requires complete manual updating.

CIVILIAN END STRENGTH

QUESTION: Please explain the requirement for 181 civilian end strength related to health hazard identification (P.8-105).

ANSWER: Reports issued by the Inspector General, Department of Defense, the Department of Labor, and the General Accounting

Office have strongly criticized Navy occupational health staffing levels. In an effort to reduce escalating worker compensation costs, these reports have recommended staffing increases to identify health hazards, establish workplace monitoring procedures, perform medical surveillance of exposed workers, and document all actions for future use in claim processing. This increase is in consonance with Administration initiatives to strengthen federal agency occupational safety and health programs. The 181 civilian end strengths will be utilized at 42 branch medical clinics which provide occupational health services for Navy industrial and fleet activities.

QUESTION: Why couldn't this function be achieved within existing resources, or contracted out?

ANSWER: Manpower is not available within existing authorizations to carry out this function. Diversion of manpower assets from other health care functions would result in higher CHAMPUS costs and degrade our wartime readiness capability. Contracted services cannot provide the continuity, control, and responsiveness required. Resident occupational health personnel are needed to respond to daily management requirements such as workplace inspection, employee training, hazard control, and labor relations.

ARMED FORCES HEALTH PROFESSIONS SCHOLARSHIP PROGRAM

QUESTION: Please explain the decrease in the Armed Forces Health Profession Scholarship Program.

ANSWER: Based on Navy and Department of Defense review of physician accessions in relation to authorized strength, the number of scholarships was reduced as follows:

	Scholarships
Fiscal Year 1983:	1,575
Fiscal Year 1984:	1,300
Fiscal Year 1985:	1,200

The Fiscal Year 1984 budget was appropriately modified. The $2,300,000 reduction in the President's budget for Fiscal Year 1985 reflects the lesser number of scholarships supported by the Navy.

MEDICAL READINESS MATERIAL

QUESTION: What is the amount of funding requested, by program and appropriation for medical readiness material in the FY 1985 budget request?

ANSWER: The Fiscal Year 1985 budget request for medical readiness material includes $71.9 million in the Other Procurement, Navy appropriations (Line item 339) for Navy Fleet Hospitals.

The following items are included in the Operation and Maintenance, Navy (Medical Support) budget request:

a. Supply Block Maintenance: $1,500,000. This provides for the refurbishment, repair, and replacement of dated items in material used by medical personnel when deployed with operating units of the Navy and Marine Corps. These blocks are returned to prepositioned locations to be ready for instant use.

b. Rapid Deployment Medical Force Uniforms: $642,000.

Medical personnel from hospitals are assigned, in contingencies, to man deployable hospitals in support of Rapid Deployable Forces. These personnel require uniforms suitable for a combat area.

QUESTION: What is the funding shortfall for this material?

ANSWER: The department's Fiscal Year 1985 requirement is for varying sizes of three complete Fleet Hospitals costing $71.9 million. A total of 19 hospitals is in the program, which extends to 1990 and is valued at approximately $670 million. There is no shortfall in the Operations and Maintenance funding for Fiscal Year 1985.

QUESTION: If funding were available, what level could be efficiently obligated for these purposes in FY 1985?

ANSWER: While more medical material could be procured during the fiscal year, an efficient procurement level must also consider assembly and integration of the hospitals when the material is delivered and preparation of the positioning sites. In this regard, three hospitals is an efficient procurement level.

MEDICAL PERSONNEL SKILL IMBALANCES

QUESTION: Are there any skill imbalances among Navy health care providers and general medical personnel? Please include in your response a description of the shortages by job skill.

ANSWER: Yes, there are some skill imbalances in the Medical and Dental Corps as shown in the tables below:

Specialty	Shortage
MEDICAL CORPS	
General Surgery	38
Orthopedic Surgery	11
Thoracic Surgery	6
Neurosurgery	5
Urology	6
Otorhinolaryngology (ENT)	7
Psychiatry	11
Anesthesiology	24
Ophthalmology	3
Aerospace Medicine	13
DENTAL CORPS	
Endodontist	12
Periodontist	12
Prosthodontist	19
Comprehensive Dentistry	13

Through recruiting training initiatives we project achieving authorized strength in most of the active duty surgical and related specialties in a few years.

Minor shortages in some of the enlisted specialties will be corrected through the fiscal year 1985 training plan and allocation of the Selected Re-enlistment Bonus.

QUESTION: What is the level of personnel requested, and the percent fill of dentists, physicians, optometrists, and other medical personnel?

ANSWER: The percent fill of dentists, physicians, optometrists, and other medical personnel against present authorizations is displayed in the following table:

MEDICAL PERSONNEL STRENGTH AS OF 31 MAY 1984

CORPS	AUTHORIZED	ONBOARD	% FILL
Medical Corps (MC)	3,802	3,799	99.9
Dental Corps (DC)	1,720	1,667	96.9
Medical Service Corps (MSC)	2,202	2,222	100.9
Nurse Corps (NC)	2,855	2,948	103.3
Physician Assistants (PA)	310	300	96.8
Hospital Corpsmen (HM)	25,886	25,277	97.6
Dental Technicians (DT)	3,588	3,273	91.2
Optometrist (included in MSC)	135	135	100.0

The FY-85 budget requests the following changes in Navy medical personnel:

OFFICER	
Medical Corps	125
Dental Corps	12
Medical Service Corps	190
Nurse Corps	357
Physician Assistants	(5)
ENLISTED	
Hospital Corpsmen	1,388
Dental Technicians	122
Non-medical	(3)
NET INCREASE	2,186

WARTIME READINESS MATERIEL INVESTMENT

QUESTION: What is the level of investment in medical wartime readiness materiel in your FY 1984 and 1985 budgets? What is the shortfall of this materiel? If funds were available, what amount could be obligated efficiently?

ANSWER: In FY 1984 and 1985 budgets, our level of medical wartime readiness materiel is $74.7 million and $41.8 million respectively. This brings our total investment since FY 1979 to $254.8 million, leaving a shortfall of $260.0 million against our FY 1989 requirement. An additional $8.2 million for supplies, equipment, operations and maintenance could be obligated in FY 1985 if additional obligational authority were made available to the Air Force. The current level of funding was established with due consideration of a fiscally constrained balance between supplies, equipment and constrained manpower ceilings. Personnel costs to balance the $8.2 million would be approximately $12.0 million in FY 1985.

NEW HOSPITALS IN EUROPE FOR WARTIME CONTINGENCIES

QUESTION: You list several new hospitals in Europe for wartime contingencies. What is the total cost of these expansions?

ANSWER: Since 1981 we have spent $9.4 million in Operation and Maintenance funds and $68.7 million for medical and nonmedical assets to convert buildings into hospitals at RAF Little Rissington, RAF Nocton Hall, and RAF Upwood in England and to make the hospital usable at Zweibrucken, Germany. These four facilities provide 3,500 hospital beds and will cost approximately $4.3 million (Operation and Maintenance funds) in FY 1985.

HOST NATION AGREEMENT FOR HOSPITALS

QUESTION: In your agreements with the host nation, who pays for the cost of operating and maintaining these hospitals in peacetime?

ANSWER: The minimal peacetime cost of maintaining these wartime hospitals is borne by the U.S.

DEPLOYMENT TO EUROPE IN WARTIME SCENARIOS

QUESTION: You mention in your statement that active duty forces will deploy to Europe in wartime scenarios instead of Reserves. Why is this the case?

ANSWER: Current intelligence estimates note an immediate threat to Air Force installations in time of conflict. Initial overseas deployment of medical personnel will be tilted towards the active duty component since larger numbers can be deployed quicker. Air Reserve medical forces will provide a vast majority of our worldwide aeromedical evacuation capability and staffing for some of our theater Second Echelon units.

REVISED BUDGET ESTIMATE - EFFECT ON MILITARY & CIVILIAN END STRENGTH

QUESTION: What effect will the reduced military and civilian end strength included in the revised budget have on your medical operations? Will these adjustments limit your ability to provide health care?

ANSWER: These end strength reductions adversely affect our ability to conduct both wartime and peacetime medical operations. I have noted for this committee that we have made significant strides in improving medical readiness. In FY 1982 we could meet only 10 percent of our in theater medical readiness requirements. By the end of FY 1984, however, we will have increased this capability enabling us to meet 35 to 40 percent of in theater requirements, largely as a result of manpower gains. The current end strength reductions further exacerbate our readiness manpower shortfall by an additional 20 percent, thus extending the time it will take us to reach a fully operational theater medical capability.

While preparing to meet readiness requirements, medical personnel provide cost effective health services to Department of Defense beneficiaries in medical treatment facilities. These end strength reductions significantly constrain the amount of health services we can provide in our facilities. Purchases of these health services from civilian sources (at FY 83 CHAMPUS costs per visit and admission) will cost more than $84.5 million.

EXPANDED SERVICES -CRITICAL SERVICES

QUESTION: Please provide a detailed description of the reopening and expanding of Critical Clinical Services and the funding requirements.

ANSWER:

SPECIALTY SERVICE	NO. OF LOCATIONS	FUNDING RQMTS ($000)
Obstetrics	7	1868
Gynecology	7	894
General Surgery	16	2738
Otorhinolaryngology	7	1093
Ophthalmology	3	466
Orthopedics	24	4516
Urology	2	366
Dermatology	1	123

The reopening and expansion of these specialty services support our goals to provide comprehensive community health care, to ensure optimum utilization of our medical facilities and to capture CHAMPUS workload.

INITIAL OUTFITTING

QUESTION: What new or expanded facilities require "initial outfitting?" Describe and explain the funding requirement.

ANSWER:

LOCATION	PROJECT
Wright-Patterson Medical Center	Composite Medical Facility/Dental Clinic (CMF/DC), Addition-Alteration (Add/Alt)
Carswell Regional Hospital	CMF Add/Alt, DC Replacement
Clark Regional Hospital	Facility Upgrade
Lackland AFB, Clinical Investigation Facility	Replacement
Osan Hospital	CMF/DC Replacement
Alconbury Clinic	Clinic/DC Replacement
Scott Medical Center	Life Safety Upgrade
Aviano Clinic	Replacement
Brooks AFB, Occupational and Environmental Health Laboratory	Add/Alt
Castle Hospital	Add/Alt
Charleston Clinic	CMF/DC Replacement
Davis-Monthan Hospital	Replacement
Dover Hospital	Life Safety Upgrade
Eielson Clinic	Clinic/DC
England Hospital	CMF Add/Alt
Geilenkirchen Clinic	New Dental Clinic

LOCATION	PROJECT
George Hospital	Add/Alt
Grand Forks Hospital	Ambulance Garage/Medical Warehouse
Hill Hospital	Occupational Health Clinic Replacement
March Regional Hospital	DC Replacement
3rd Country	New Clinic/Dental Clinic
5th Country	New Clinic/Dental Clinic

Funding supports medical and non-medical expense and investment equipment for these facilities. Funds are generally allotted in the second and third years of construction. Exceptions are large medical center additions which require funding over a longer period of time and small projects which may require funding in the contracting year.

DENTAL CLINIC GOLD

QUESTION: Why is the Air Force the only Service that has an increased funding requirement for clinic gold? Why can't this requirement be absorbed within available funds?

ANSWER: I do not know why the other Services have not increased their funding requirement. The Defense Logistics Agency advised the logistics offices of the Services that the procurement process for dental gold casting alloys has changed. Replenishment buys of dental gold will be made with contractor furnished gold rather than government furnished gold. This change was projected to cause an increase in price of over 600 per cent for an equal level of services. Since this price increase was a significant and unprogrammed expense in the delivery of dental services, it needed to be budgeted for to ensure that patients would continue to receive needed services.

MEDICAL END STRENGTH

QUESTION: Please describe the requirement for 2,073 additional military end strength for medical readiness. Where will the additional personnel be located?

ANSWER: The additional manpower is required to meet wartime planning scenarios in the defense guidance and is based on expected troop deployments and casualty rates. Wartime/deployment shortfalls of medical specialties have been identified as significant problems in meeting global military commitments. Manpower acquired to support wartime missions is positioned in peacetime in Air Force medical treatment facilities where it serves the dual purpose of filling deployment requirements and recovering CHAMPUS costs by expanding peacetime health services. Specific locations of additional personnel are determined annually by application of USAF Medical Manpower Standards to major air command workloads. Revised FY85 military end strength growth of 914 has not yet been distributed by location; when that process is complete, the data about specific distribution will be available.

GLCM MEDICAL SUPPORT

QUESTION: What is the requirement for GLCM support by location? What will the increased funding provide?

ANSWER:

GLCM Location	FY 84 Program ($000)	FY 85 Requirement ($000)
RAF Greenham Common	435	569
Comiso AS, IT	587	502
Florennes AB, BE	327	858
Germany	-	120
	1,349	2,049

The increased funding will enable four Air Force medical treatment facilities to purchase the supplies, equipment, and services needed to provide health care to personnel assigned to the GLCM locations.

QUESTIONS SUBMITTED BY SENATOR STENNIS

DoD Medical Activities

QUESTION: There are several test programs under way to reduce costs by shifting medical care workload from CHAMPUS to military medical facilities. These include a test started in February 1983 in California where a certificate of nonavailability (CNA) is required for nonemergency outpatient care funded by CHAMPUS and a redefinition made in March 1983 of the Washington, D.C. catchment area in order to maximize the use of military medical facilities.

Based upon over a year's experience with each of these programs, what is your judgment of their savings potential?

ANSWER: The outpatient nonavailability statement test was conducted at three sites: Silas B. Hayes Army Hospital at Fort Ord, California; Pensacola Naval Hospital, Florida; and USAF Hospital Vandenberg, California. The Department is currently reviewing the experience with the test in order to determine the impacts. Until this review is completed, no judgment on the savings potential can be made.

With regard to the Washington, D.C. Catchment Area redefinition, the objective of maximizing the use of military medical facilities did not appear to be realized. The number of referrals within the area, the basis for projected cost savings, was very small. However, effective June 1983, the Department tightened the criteria for issuing CNAs at all military treatment facilities. Since the revised criteria were more stringent than those in the catchment area redefinition test and the number of CNAs issued in the area has declined, continuation of the test was no longer indicated.

DOD MEDICAL ACTIVITIES

QUESTION: The Grace Commission, in its recent series of reports, proposed that the government recover from private insurance companies the cost of treating non-active-duty policy holders in military hospitals and clinics. It is estimated that at least 15 percent of non-active-duty patients treated in military hospitals and clinics have private health insurance coverage.

The Grace Commission estimated three-year savings of $1.2 billion, while CBO estimated savings of $735 million from this proposal. What is your estimate of annual savings from this proposal?

ANSWER: As mentioned previously, expected recovery costs in the first three years are as follows:

	Million
First Year	$25
Second Year	$250
Third Year	$250

It is estimated it would take at least 9 months after the passage of legislation for savings to begin to accrue. These above estimates represent our best judgement.

QUESTION: Are there any unfavorable impacts of this proposal that might offset the savings potential?

ANSWER: There are none that we know of.

QUESTION: To achieve most of the projected savings, the Congress must pass legislation to prevent insurers from excluding the Federal Government from reimbursement; insurance companies typically include this restriction in their basic contract. What is the current status of the legislative proposal to overrule this restriction and allow collection of reimbursements?

ANSWER: As previously stated, DoD's legislative proposal, 98-143, was coordinated with the Services, approved by the General Counsel, and forwarded to OMB on 28 March 84. While being reviewed at OMB, Congressman Aspin introduced H. R. 5372, a similar proposal. On 11 May 84 DoD expressed support of H. R. 5372, provided it was amended to give authority to the Department to retain the collections. Consequently, OMB filed 98-143 and has no plans to take further action.

On 11 April 84, H. R. 5372 was reported out of the House Armed Services Committee without the amendment. The bill is currently awaiting floor action as a free standing bill.

QUESTION: In preparing your budget for 1985, have you included savings resulting from implementation of this proposal?

ANSWER: These savings were not included in the individual appropriation estimates; however, they are reflected in the total Defense budget request.

QUESTIONS SUBMITTED BY SENATOR ANDREWS

DoD Medical Activities

QUESTION: As you know, DoD spends over $4 billion a year to operate several hundred military hospitals and clinics. CHAMPUS alone costs another $1 billion a year. According to a recent CBO study, two approaches in particular could save at least $2 billion over the next five fiscal years and possibly improve aspects of health care.

The two approaches are (1) charging outpatients when they visit military physicians; and (2) collecting from private insurance companies when their military policyholders use military hospitals and clinics.

What is your position on these approaches?

ANSWER: With regard to charging for outpatient care at military facilities, the Department is opposed to this idea. We are presently preparing a report on this issue to be forwarded to this Committee by June 30, 1984. With regard to collecting from private insurance companies, legislation is required in order for the Department to implement programs to make such collections. Presently there are two efforts in progress to obtain the needed legislation. The first is the Department's proposal which is still being evaluated by OMB. The second is H.R. 5372, introduced by Congressman Les Aspin of the House Armed Services Committee. Although the House Armed Services Committee approved H.R. 5372 on 11 April 1984 by voice vote, this legislation was not included in the bills to be considered.

QUESTION: The CBO explains that because outpatient care in military facilities is free, the facilities are popularly used and there are long waiting lines. Because of the long waits, many beneficiaries turn to more expensive civilian care under CHAMPUS. Charging revenue could shorten lines, force fewer beneficiaries to resort to more expensive care, and bring in revenue. What is your response to CBO's analysis and suggestions?

ANSWER: The Department is currently analyzing CBO's paper and will address these issues in our report to Congress on June 30, 1984.

QUESTION: It appears that DoD may spend about $375 million this year to treat inpatients and outpatients who have private insurance coverage. DoD, according to the CBO study, would be able to recover 60% of such spending, for a total savings over the next five years of $1.4 billion, if private insurers were billed.

I understand DoD has recommended legislation to realize savings from insurance collections, what is the status of this legislation?

ANSWER: As stated earlier, DoD's legislative proposal, 98-143, was coordinated with the Services, approved by the General Counsel, and forwarded to OMB on 28 March 84. While being reviewed at OMB, Congressman Aspin introduced H. R. 5372, a similar proposal. On 11 May 84 DoD expressed support of H. R. 5372, provided it was amended to give authority to the Department to retain the collections. Consequently, OMB filed 98-143 and has no plans to take further action.

On 11 April 84, H. R. 5372 was reported out of the House Armed Services Committee without the amendment. The bill is currently awaiting floor action as a free standing bill.

QUESTION: How do you think this plan would work?

ANSWER: We think a coordination of benefits program would successfully recover substantial costs and would be in accord with the administration's program of cost reduction.

REGIONAL MEDICAL FACILITY AT MINOT AFB, ND

QUESTION: As you know, $27.5 million was added to the Senate FY 85 Defense Authorization Bill for the construction of a regional medical facility at Minot AFB in North Dakota.

There is widespread agreement that the facility is needed at the base. Minot AFB is the only SAC base in the continental U.S. without a hospital on its premises. Much time has been taken to rework the total cost of the medical facility through Value Engineering studies. These studies have been instrumental in a $10.5 million cost reduction for the facility.

In addition, economic and feasibility studies done in 1977 and 1983 concluded that a new medical facility constructed at Minot is justified rather than expansion/renovation of the existing hospital.

Given the time and effort devoted to studying the need for the hospital and reducing total cost, can it be truly stated that the AF at the highest levels supports the construction of a medical facility?

ANSWER: Absolutely yes. As stated, the Air Force has taken every necessary step to ensure that the scope and cost for the Minot Composite Medical Facility Replacement project has been thoroughly justified. The Secretary of the Air Force and Air Force Chief of Staff continue to strongly support this project.

NONDEPARTMENTAL WITNESSES

THE RAND CORP.

STATEMENT OF JOSEPH P. NEWHOUSE, Ph.D., ECONOMICS DEPARTMENT, THE RAND CORPORATION

USER CHARGES FOR MEDICAL CARE SERVICES

Senator **RUDMAN**. We have one other witness, Dr. Joseph Newhouse, the Head of the Economics Department of the Rand Corp.

Dr. Newhouse, we are very limited on time. If you can summarize, to the extent you can, your entire statement will become part of the hearing record.

Dr. **NEWHOUSE**. Senator Rudman and Senator Inouye, it is an honor to testify before you today on the issue of user charges or cost sharing for medical care services.

For the past 10 years or more, I have directed a study aimed at this issue, supported by the Office of the Assistant Secretary for Planning and Evaluation in the Department of Health and Human Services. Nearly $80 million of Federal money has gone into this project, and I view the facts that I am going to present to you as a partial return on that investment.

I must say that I am particularly grateful to the Appropriations Committees of both the Senate and the House whose actions through the years made this possible, and I hope that these facts, which are really quite new, will somewhat lessen the role of emotion in these debates.

The experiment took place between 1974 and January 1982. It involved about 7,700 people at six different sites in the United States. Most of these people were enrolled in so-called fee-for-service insurance plans and faced varying user charges that ranged from nothing to a deductible that approximated $1,000 for nonpoor families.

Some families were also assigned to a Health Maintenance Organization, but I think in view of the time, I will not talk about those results. They are summarized in my written testimony.

The experiment generated a number of results on both how families use medical services and how that affected their health. The most important result with respect to use was that the families who had free care used about 50 percent more services, and spent about 50 percent more money, than families on the stingiest plan, with the other people in-between.

That is summarized in table 1 of my testimony. It shows in 1977 dollars that expenditures per person went from about $250 to $400 on the free plan. The $400 figure would be about $700 in today's dollars. So there is a substantial change in use reflected in change in visits and hospital admissions, and that change is reflected through all groups, high income, low income, big city, small city, and so forth, roughly similar changes.

HEALTH STATUS OF MEDICAL PROGRAM USERS

A natural question to ask is what difference this rather large change in use made to people's health status. To date the results are only final for those that are age 14 and older, but we have done preliminary work with children. We have data for the children as well, and that suggests that roughly similar results hold for the children, even if it appears that there is less effect for the children. As you see, there is not a large effect for adults.

VISION CARE

I think the easiest way to comprehend this is to look at vision care. We did cover eyeglasses, which are subject to the differential cost sharing, and we measured corrected vision at the end of the experiment and at the beginning of the experiment for about 60 percent of the people, the vision of people who did not have 20/20 vision, or normal vision, at the end of the experiment, that is, 20/20 vision uncorrected by eyeglasses.

In the free care plan the vision was 20/22, which means that what a normal person could see at 22 feet this person would have to move up to 20 feet to see as measured by the usual Snellen charts of letters that you read. On the cost-sharing plan, that average was 20/22.5. In other words, there was about a half a foot better vision, a rather modest gain.

BLOOD PRESSURE

There was a gain also in blood pressure, and the blood pressure gain was particularly significant, that is people on free care had lower diastolic blood pressure, a little less than 1 millimeter of mercury lower. That is meaningful. That change was particularly concentrated among low-income people. In low-income people, the average change was around 3 millimeters of mercury in diastolic blood pressure.

Health habits, such as smoking, weight, cholesterol levels, were unaffected by this change in visits.

People with access to the military medical care system were excluded from this study as were aged individuals. Because they were excluded, one could question whether the results that I have described apply to the dependents of active duty military personnel and retirees.

One, of course, has to make a judgment in trying to answer that question. There is no scientific answer. My judgment is that similar results would be found among the military population. The basis for that judgment is that it is the similarity among all the groups to be studied that I remarked on.

We find that people in quite different circumstances all change their use of services on the average by approximately 50 percent, and I expect that, therefore, the military group might as well. In that sense, I am judging the military population to be not that dissimilar from most employed populations in the civilian sector in this regard.

To sum up, this study has addressed the issues of whether requiring user charges causes individuals on the average to consume fever services, and if it does, whether those reductions affect their health status.

The answer to the first question is, unambiguously, yes. The user charges do reduce. The answer to the second question is also yes, but to a limited degree, especially among relatively healthy populations. The health status is affected, but relatively little among the healthy populations.

RECRUITMENT AND RETENTION

There are numerous other questions that are related to user charges for active duty military personnel and retirees that we did not address in the study, such as the effects on recruitment and retention. In light of two features of the experiment, I might comment a bit on that.

No family in the experiment was at risk for a catastrophic financial loss. After the families had spent at most $1,000 out-of-pocket, the experimental plan took over. Therefore, we are talking about a ceiling here, and no family being able to be wiped out by a catastrophic medical loss. As I understand it, the proposal that is on the table would also encompass or would preclude a catastrophic kind of loss.

The second issue is that we paid our families a lump sum to induce them to enroll if they could be worse off by participating, that is, if by going on this $1,000 deductible plan they might lose, because clearly the people who would expect to be sick would not sign up and the experiment would be invalid.

In the present context, this kind of payment like we made to our families would be an adjustment to pay scales that would compensate for the increased cost sharing, or user charges. The natural question to ask is whether such an adjustment could be large enough to compensate and still save the Government money.

The answer to that question is, yes, on the average. Some individuals would come out ahead, those would be the individuals who use fewer services, and other; would come out behind, which would be those who use a lot of services. This allowance could equal the average out-of-pocket payment, and the Government would still save the cost of the forgone medical services.

I have provided staff with a list of publications that describe the project in much greater detail, and go into the reliability and validity of the measures that we have used. In light of the time, I will stop and answer any questions that you may have.

[The prepared statement of Dr. Newhouse follows:]

PREPARED STATEMENT OF JOSEPH P. NEWHOUSE, PH.D.
ECONOMICS DEPARTMENT
THE RAND CORPORATION

COST SHARING FOR MEDICAL CARE SERVICES

Mr. Chairman, members of the Committee, it is an honor to be asked to testify today on the issue of cost sharing for medical care services. For the past ten years I have directed the Rand Health Insurance Study, an experiment to learn the effects of requiring families to pay for a portion of their medical care services. We have studied effects on both famililies' use of services and on their health status. The experiment has been supported by the Office of the Assistant Secretary for Planning and Evaluation in the Department of Health and Human Services. Nearly $80 million of federal monies have gone into this project, and I hope that the facts I am about to present represent a partial return on that investment.

Design of the Experiment

The experiment, which took place between 1974 and 1981, enrolled 7703 persons in 2757 families in six different sites of the United States -- Seattle, Washington; Dayton, Ohio; Charleston, South Carolina; Fitchburg, Massachusetts; and two non-metropolitan sites, Franklin County, Massachusetts and Georgetown County, South Carolina. Most of these people were enrolled in so-called fee-for-service insurance plans. They could seek care from any physician who agreed to treat them, but the portion of their medical bills that they paid varied, from nothing to 25, 50, or 95 percent. Families' maximum out-of-pocket expense in a year could not exceed $1000, or 5,10, or 15 percent of income, whichever was less. (Families were randomized to the percentage of income limitation.) Additionally, some families paid 95 percent of their outpatient bills up to $150 per person; inpatient services to these families were free. Finally, some Seattle families agreed to change their physician and seek care at a Health Maintenance Organization, the Group Health Cooperative of Puget Sound, and some Seattle families who were already receiving care at the Cooperative agreed to participate in the experiment, although they continued to receive care at the Cooperative.

The experimental insurance plans covered almost all medical and dental services. Families participated for either three years (70 percent) or five years (30 percent). Persons 62 years of age and over were not enrolled, nor were active duty or retired military personnel and their dependents, nor were those eligible for Medicare because of disability.

Summary of Cost Sharing's Effect on the Use of Services

The experiment has generated a number of results with respect to how families used services. The results cited below are based on the first 40 percent of the data received, but preliminary analyses with the remainder of the data suggest that the final results will be quite similar. The most important result concerning use was:

1) The use of services varied a great deal across insurance plans (Table 1). Families for whom all medical services were free spent about 50 percent more than families on the least generous plan (the plan that required families to pay 95 percent of their bills up to a $1000 maximum).

The change in use can be described more fully:

2) The increase in use was approximately equiproportionate for children and adults, although it was a bit less for children (Table 2). It was also approximately equiproportionate across income groups; that is, poor and reasonably well-to-do families all increased their use of services by about the same amount (Table 3).

3) All groups increased their rate of physician visits; on average visits increased from about 3.5 per year to about 5.5 per year as the generosity of the plan varied (Table 4).

4) Hospital admissions increased among adults when all care was free. About 13 percent of those on the free care plan were hospitalized, whereas only 8 to 10 percent of those on the other plans were hospitalized (Table 5). Another way to say this is that hospital admissions were some 30 to 50 percent greater on the free care plan. Hospital admission rates for children appeared unaffected by cost sharing, which is why the response of children to insurance plan is somewhat less than for adults.

5) The plan with costly outpatient services and free inpatient services had 22 percent fewer hospital admissions than the plan in which all services were free (Table 5). Thus, our results do not bear out the sometimes heard statement that deterring the use of office visits through cost sharing results in higher hospital charges.

Summary of Results with Respect to Health Outcomes

A natural question to ask is how these changes in use affected health outcomes. To date results are only available on those age 14 and older, but preliminary work with the data for children suggest that similar results hold for children as well.

1) The average person's health changed very little, despite the rather large change in use caused by the insurance plan (Table 6). To date we have compared the outcomes in each insurance plan for eleven measures of health. Virtually no differences were detected within the group of plans that required cost sharing. Some differences were detected between the plan with free care and the group of plans that required cost sharing. On the free care plan the average person's diastolic blood pressure was 0.7 millimeters of Mercury lower than on the cost sharing plans. Corrected far vision for those who did not have natural 20/20 vision also improved; at the end of the experiment those

on the free care plan had corrected far vision of 20/22 as opposed to 20/22.5 among those on the cost sharing plans. On nine other measures we could not reject the possibility that there was, in fact, no change, but we could reject the possibility that we had failed to detect (because of too small a sample size) a large change. For example, we can be reasonably certain that a measure of self-assessed health did not improve by more than 0.3 units (indeed, it is more likely to have decreased than improved). To put these units in context, about 10 years of age causes a fall of about 2.0 units in this measure, while a diagnosis of hypertension (high blood pressure) causes a fall of about 5.0 units.

2) The improvements that did occur were concentrated in low income, sick individuals (Table 7). For example, diastolic blood pressure improved by 3 millimeters of Mercury in the free plan relative to the other plans for those persons in the highest quartile of blood pressure and who were in the lowest 20 percent of the income distribution (an average of $7300 family income in 1982 dollars). Largely because of the improved control of blood pressure, the risk of death fell among those at the highest risk of death (the highest quarter of the distribution), from 2.1 times the average risk in the cost sharing plans to 1.9 times the average risk in the free care plan (Table 8) (There was no change in the risk of dying for the average person, as shown in Table 6.)

3) Health habits that are associated with cardiovascular diseases and some forms of cancer were unchanged by the greater frequency of visits to physicians (Table 6). Specifically, free care, which led to one to two more encounters with a physician each year for several years, had no effect on the number of cigarettes smoked, weight, or cholesterol levels.

4) Analyses of other health outcome measures, including dental care, other physiologic measures of health outcome, and disability days are in process.

Summary of Results for the Health Maintenance Organization (HMO)

The analysis of the Health Maintenance Organization principally compared those who had been randomly assigned to receive care at the Organization (with no cost sharing) with those who received care in the fee-for-service system with no cost sharing. The most important finding was:

1) The estimated value of services delivered to the HMO group was 28 percent less than delivered to the comparable fee-for-service group, the free care group (Table 9). The principal cause of the difference was in the hospital admission rate, which was 40 percent less in the HMO group than in the free care fee-for-service group (Table 10).

2) Although the number of preventive visits was higher at the HMO (Table 10), this does not appear to account for the reduced expenditure. Among the fee-for-service plans, the number of preventive visits was higher in plan with free care than in the plans that required cost sharing, but the hospitalization rate was higher, not lower, in the free care plan (Tables 5 and 10).

3) The markedly lower rate of hospitalization appears to reflect a different style of medicine.

4) Analysis of data on health status and patient satisfaction at the HMO compared with fee-for-service is in process.

Are These Results Applicable to Dependents and Retirees Among the Military Population?

As noted above, those with access to the military medical care system were excluded from the population studied. (We excluded such individuals because we could not treat as equivalent an individual who had to pay 50 percent of his bill in the civilian system with no access to the military system and a similar individual with such access.) Because of the exclusion, a question arises as to the applicability of the results just described to dependents of active duty military personnel and retirees.

The answer to that question is, of course, judgmental, but my judgment is that if an experiment were repeated with the military population, similar results would be found. Broadly speaking, the experiment enrolled a representative sample of the non-aged population. It found that different types of people (e.g., high income, low income, living in large city, living in small city) all responded similarly to cost sharing. Thus, the reduced use from cost sharing could reasonably be expected in a military population. The military population is relatively healthy population and that group showed little benefit from the additional services sought when care was free. Only 8 percent of the users of military facilities are over 65 years of age, the group for whom extrapolation of the experimental results is most problematical. In short, if one regards the military population as not very dissimilar from most employed populations, one would expect that these results would also apply to the military population.

What Objections Have Been Raised to the Results?

Little or no objection has been raised to the utilization results. The finding that more complete coverage of outpatient services increases hospital admissions and hence increases expenditure conflicts with a finding from a study in a California Medicaid population which showed the opposite result. The California study, however, was not a true experiment; i.e., the two groups that were compared were not similar, and the dissimilarity could have accounted for the result. In addition to our study, there has been one other true experiment conducted to study this issue; its findings were similar to ours.

The major criticism that I am aware of concerns the adequacy of the measures of health outcome. Dr. Arnold Relman, editor of the *New England Journal of Medicine*, though describing the project as a "landmark study" and a "valuable and massive undertaking," has commented that "only a few limited measures of health and adequacy of medical care were used" and that the duration of the study was "too short to reveal possible long-term cumulative effects of reduced medical services." I disagree with both of these comments.

Although we have not analyzed all the measures of health that we will ultimately have available (as noted above), those that we have analyzed cannot fairly be described as limited. They include a global measure of physical health (meaning the capacity to engage in physical activity, limitations on mobility, ability to care for oneself, etc.), a global measure of mental health, and a global overall self-assessment of health. The term limited implies that we did not examine important dimensions of health outcomes, which simply is not the case. It is true that to date we have only examined a few measures of physiological health, but those few are for relatively common problems (vision, hypertension, and hypercholesterolemia), and I see no reason to think results for the measures yet to be examined (acne, anemia, allergic conditions, angina, chronic obstructive airway disease, congestive heart failure, convulsions, diabetes mellitus, hay fever, hearing disorders, joint disorders, otitis media, peptic ulcer disease, thyroid disease, and urinary tract infection) would be markedly different. We are attempting to understand more about why certain results did or did not occur; for example, we are examining whether those with high blood pressure saw a physician at all and, if they did, whether physicians treated those on different insurance plans differently.

Was the experiment too short? Might we have missed long-term cumulative effects of additional medical care? One reason we examined physiologic measures of health such as blood pressure and health habits such as cigarette smoking was that they are predictive of future health. A key question, therefore, is whether continued additional medical care would have further changed these measures. Would a smoker, who was seeing a physician one to two more times per year for three to five years and who had not altered his smoking habits, alter them if he or she saw a physician one to two more times per year for ten or twenty years? If a person with high blood pressure did not have his or her blood pressure controlled after three to five years, would it be controlled after ten years? In both cases the answer is a matter of opinion; I doubt that a longer term experiment would have produced different results.

Yet another issue concerns the reliability and validity of self-assessed measures of health. We have published numerous monographs on this issue that are referenced at the end of my testimony and that I will submit to staff; the evidence in the monographs shows that the measures are reliable and, as best we can tell, do in fact measure the components of health they purpose to measure.

A Concluding Thought

This study addressed the questions: Does requiring families to pay for their medical care cause them to consume less? If so, do the reductions affect their health status? The answer to the first question is unambiguously yes. The answer to the second is yes, but to a limited degree, especially among relatively healthy populations. We did not address other questions that are relevant to decisions about cost sharing for dependents of active duty military personnel and retirees.

One such question is the effect on recruitment and retention efforts. Clearly additional cost sharing lessens the attractiveness of a military career, but two devices used in the experiment may be helpful in offsetting this diminuition. First, no family was at risk for a catastrophic financial loss; second, families who could have been worse off by enrolling (because their existing health insurance was more generous than the experimental plan) were paid a lump sum amount to induce them to enroll. In the present context, such a side payment amounts to an adjustment to pay scales to compensate for the increased cost sharing. One natural question is whether an adjustment could be large enough to compensate for the increased cost sharing and still save the government money. The answer to that question is 'yes' on average; some individual families would come out ahead (namely, those who used few or no services) while others would come out behind (those who used many medical services), but aggregate compensation paid to families could be kept constant and the government would save the cost of the foregone medical care services.

Further information about the experiment can be obtained in the following publications:

Newhouse, J.P., W.G. Manning, C.N. Morris, et al., Some Interim Results from a Controlled Trial of Cost Sharing in Health Insurance, The Rand Corporation, R-2847-HHS, January 1982. Also in *New England Journal of Medicine,* 305:1501-1507, December 17, 1981.

Brook, R.H., J.E. Ware, W.G. Rogers, et al., "Does Free Care Improve Adults' Health? Results from a Randomized Controlled Trial, *New England Journal of Medicine,* 309:1426-1434, December 8, 1983.

Manning, W.G., A. Leibowitz, G. Goldberg, W. Rogers, and J.P. Newhouse, "A Controlled Trial of the Effect of a Prepaid Group Practice on Use of Services," *New England Journal of Medicine* 310; 1505-10, June 7, 1984.

The measures of health status are described in the following publications:

Physiologic Measures

Brook, R.H., K.N. Lohr, G.A. Goldberg, et al., *Conceptualization and Measurement of Physiologic Health for Adults: Acne,* The Rand Corporation, R-2262/2-1-HHS, August 1980.

Brook, R.H., D.M. Berman, K.N. Lohr, et al., *Conceptualization and Measurement of Physiologic Health for Adults: Hypertension,* The Rand Corporation, R-2262/3-HEW, August 1980.

Berman, D.M., R.H. Brook, K.N. Lohr, et al., *Conceptualization and Measurement of Physiologic Health for Adults: Angina Pectoris,* The Rand Corporation, R-2262/4-HHS, June 1981.

Rosenthal, M., K.N. Lohr, R.S. Rubenstein, et al., *Conceptualization and Measurement of Physiologic Health for Adults, Congestive Heart Failure,* The Rand Corporation, R-2262/5-HHS, September 1981.

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Brook, R.H., K.N. Lohr, G.A. Goldberg, *Conceptualization and Measurement of Physiologic Health for Adults: Thyroid Disease,* The Rand Corporation, R-2262/9-HEW March 1982.

Scott, B., R.H. Brook, K.N. Lohr, G.A. Goldberg, *Conceptualization and Measurement of Physiologic Health for Adults: Joint Disorders*, The Rand Corporation, R-2262/10-HEW, Dec. 1981

Brook, R.H., K.N. Lohr, E.B. Keeler, et al., *Conceptualization and Measurement of Physiologic Health for Adults, Hypercholesterolemia*, The Rand Corporation, R-2262/11-HHS, September 1981.

Rubenstein, R., K.N. Lohr, R.H. Brook, et al., *Conceptualization and Measurement of Physiologic Health for Adults: Vision Impairments*, The Rand Corporation, R-2262/12-HEW July 1982

Beck, S., R.H. Brook, K.N. Lohr, G. A. Goldberg, *Conceptualization and Measurement of Physiologic Health for Adults: Hay Fever*, The Rand Corporation, R-2262/13-HHS, July 1981.

Beck, S., R.H. Brook, K.N. Lohr, and G.A. Goldberg, *Conceptualization and Measurement of Physiologic Health for Adults: Hearing Loss*, The Rand Corporation, R-2262/14-HHS, August 1981.

R.S. Rubenstein, Beck, S., K.N. Lohr, et al., *Conceptualization and Measurement of Physiologic Health for Adults: Surgical Conditions*, The Rand Corporation, R-2262/15-HEW, May, 1983.

Zielske, J., K.N. Lohr, R.H. Brook, and G. Goldberg, *Conceptualization and Measurement of Physiologic Health for Adults: Urinary Tract Infection*, The Rand Corporation, R-2262/16-HHS, May 1981.

Zielske, J., et al., *Conceptualization and Measurement of Physiologic Health for Adults: Stomach Pain and Peptic Ulcer Disease*, The Rand Corporation, R-2262/17-HEW February 1983

Beck, S., K.N. Lohr, C.J. Kamberg, et al, *Measurement of Physiologic Health for Children: Allergic Conditions*, The Rand Corporation, R-2898/1-HHS, 1983

Lohr, K.N., S. Beck, C.J. Kamberg, et al., *Conceptualization and Measurement of Physiologic Health for Children: Middle Ear Disease and Hearing Impairment*, The Rand Corporation, R-2898/2-HHS, October 1983.

Kamberg, C. J., K. N. Lohr, R.H. Brook, and G.A. Goldberg, *Conceptualization and Measurement of Physiologic Health for Children: Seizure Disorders* The Rand Corporation, R-2898/3-HHS, July, 1983.

Foxman, B., K.N. Lohr, R.H. Brook, *Conceptualization and Measurement of Physiologic Health For Children: Anemia*, The Rand Corporation, R-2898/5-HHS, January 1983.

Self Assessed Measures

Ware, J.E., Jr., R.H. Brook, A. Davies-Avery, et al., *Conceptualization and Measurement of Health for Adults in the Health Insurance Study: Model of Health and Methodology*, The Rand Corporation, R-1987/1-HEW, May 1980.

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Ware, J.E., Jr., S.A. Johnston, A. Davies-Avery, and R.H. Brook, *Conceptualization and Measurement of Health for Adults in the Health Insurance Study: Mental Health*, The Rand Corporation, R-1987/3-HEW, December 1979.

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Ware, J. E., Jr., A. Davies-Avery, and C. A. Donald, *Conceptualization and Measurement of Health for Adults in the Health Insurance Study: General Health Perceptions*, R-1987/5-HEW, The Rand Corporation, September 1978.

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Eisen, M. B., et al., *Conceptualization and Measurement of Health for Children in the Health Insurance Study*, The Rand Corporation, R-2313-HEW, May 1980.

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Davies, A. R., and J. E. Ware, Jr., *Measuring Health Perceptions in the Health Insurance Experiment*, The Rand Corporation, R-2711-HHS, October,1981.

Donald, C. A., and J. E. Ware, Jr., *The Quantification of Social Contacts and Resources*, The Rand Corporation, R-2937-HHS, Oct. 1982.

TABLE 1

ACTUAL ANNUAL TOTAL AND AMBULATORY EXPENDITURE PER PERSON, BY PLAN: NINE SITE-YEARS

Plan	Total Expenditure	Ambulatory Expenditure	Number of Person-Years for Total Expenditure	Number of Person-Years for Ambulatory Expenditure[a]
Free care	$401 (±52)	$186 (±9)	2825	2834
25-percent coinsurance	346 (±58)	149 (±10)	1787	1792
50-percent coinsurance	328 (±149)	120 (±12)	766	766
Family Deductible, 95-percent coinsurance	254 (±37)	114 (±10)	1763	1764
Individual Deductible, 95-percent coinsurance[b]	333 (±74)	140 (±11)	1605	1609

NOTE: 95-percent confidence intervals are shown in parentheses. Dollars are current dollars, beginning in late 1974 and extending through late 1978. The figures are uncorrected for site price-level differences or for small differences in allocation to plan by site. Confidence intervals are uncorrected for intertemporal and intrafamily correlation; such a correction cannot be made without imposing strong assumptions about the nature of the correlation. Ignoring intertemporal and intrafamily correlation, the F-value to test the null hypothesis of no differences among the plans in total expenditure with 4,8741 degrees of freedom is 3.14, significant at the 5-percent level. The F-value to test the null hypothesis of no differences among the plans in ambulatory expenditure is 33.4, significant at well under the 1-percent level.

[a] The sample for ambulatory expenditure includes 19 individuals with a known hospital admission for whom the amount of inpatient expenditure is missing.

[b] Coinsurance in this plan applies to outpatient care only; inpatient care is free.

TABLE 2

PREDICTED EXPENDITURE, BY PLAN AND AGE GROUP: YEAR 1

(Dollars for free plan; percentage of free plan elsewhere)

Plan	Dayton		Seattle		Fitchburg		Franklin County	
	Adult	Child	Adult	Child	Adult	Child	Adult	Child
Free care	$555 (±91)	$196 (±32)	$500 (±76)	$174 (±27)	$521 (±95)	$185 (±34)	$507 (±92)	$186 (±32)
25-percent coinsurance	75%	77%	84%*	91%†	88%†	98%†	81%*	89%†
50-percent coinsurance	62	71	—	—	68	82†	74*	93†
95-percent coinsurance	69	69	72	75	75	78*	66	69
Individual Deductible, 95-percent coinsurance[a]	76	75	85*	89†	81*	83†	81*	86*

NOTE: 95-percent confidence intervals are shown in parentheses. If no symbol appears to the right of the number, the difference from the free plan is significant at the 1-percent level (one-tail test). An asterisk (*) indicates that the value is significant at the 5-percent level; a dagger (†) indicates that the value is not significant at the 5-percent level.

[a] Coinsurance applies to outpatient care only; inpatient care is free.

TABLE 3

PREDICTED EXPENDITURE, BY INCOME TERTILE AND PLAN: YEAR 1

(Dollars for free plan; percentage of free plan elsewhere)

Plan	Dayton		Seattle		Fitchburg		Franklin County	
	Low	High	Low	High	Low	High	Low	High
Free care	$395 (±67)	$446 (±69)	$384 (±59)	$381 (±57)	$403 (±73)	$367 (±65)	$391 (±69)	$368 (±64)
25-percent coinsurance	71%	78%	85%*	85%*	89%†	90%†	82%*	83%*
50-percent coinsurance	60	67	—	—	71	71	77*	78*
95-percent coinsurance	65	72	72	73	75	76	65	67
Individual Deductible, 95-percent coinsurance[a]	73	78	86*	86*	81*	82*	81	82*

NOTE: 95-percent confidence intervals are shown in parentheses. Comparisons do not hold factors constant other than income; they simply compare predictions for actual families with incomes below $9548 and above $15,264 (1972 dollars) in Dayton; below $8222 and above $13,882 (1973 dollars) in Seattle; below $8884 and above $13,033 (1973 dollars) in Fitchburg; and below $9374 and above $13,155 (1973 dollars) in Franklin County. These values define the lower third and upper third of the income distribution for the site. If no symbol appears to the right of the number, the difference from the free plan is significant at the 1-percent level. An asterisk (*) indicates that the difference is significant at the 5-percent level; a dagger (†) indicates that the difference is not significant at the 5-percent level. All tests are one-tail tests. Standard errors are corrected for intrafamily correlations.

[a] Coinsurance applies to outpatient care only; inpatient care is free.

TABLE 4

AMBULATORY EXPENDITURE RATES AND OFFICE VISIT RATES PER PERSON, BY PLAN: DAYTON, YEAR 2

Plan	Ambulatory Expenditure Rates (Free plan = 100)	Office Visit Rates[a] (Free plan = 100)
Free care	$188 (100)	5.4 visits (100)
25-percent coinsurance	(78)	4.4 visits (81)
50-percent coinsurance	(59)	3.2 visits (59)
95-percent coinsurance	(68)	3.7 visits (69)
Individual Deductible, 95-percent coinsurance	(67)	3.7 visits (68)

NOTE: All differences in expenditure and visits between the free plan and other plans are significant at the 1-percent level except the differences between the free and 25-percent coinsurance plans for ambulatory expenditures, which are significant at the 5-percent level using a one-tail test. Standard errors are corrected for intrafamily correlation.

[a] Visits are defined from claims. A visit is any outpatient service performed by an M.D. or D.O. or his staff for a given patient on a single day. Nonbilled services such as telephone visits or visits to industrial clinics are not counted as visits by this definition.

TABLE 5

ANNUAL PROBABILITY OF ONE OR MORE HOSPITAL ADMISSIONS, BY PLAN AND AGE GROUP

Plan	Child (17 years or under)[a]	Adult (Over 17 years)
Free care	.056 (±.015)	.133 (±.018)
25-percent coinsurance	.047 (±.017)	.104 (±.020)
50-percent coinsurance	.057 (±.029)	.082 (±.028)
95-percent coinsurance	.045 (±.017)	.095 (±.020)
Individual Deductible, 95-percent coinsurance[b]	.065 (±.023)	.104 (±.019)

NOTE: 95-percent confidence intervals are shown in parentheses. For adults, 50- and 95-percent coinsurance values are significantly different from the free plan value at the 1-percent level, and the 25-percent and Individual Deductible values are significantly different at the 5-percent level. For children, no plan difference is significant at conventional levels. All tests are one-tail tests. Standard errors are corrected for intrafamily and intertemporal correlations.

[a] The mean for children in our plans is .054 (±.008); the national mean is .050 (±.004) (Newhouse, 1974).

[b] This plan has zero coinsurance (free care) for inpatient services.

Table 6 Predicted Exit Values of Health-Status Measures for an Average Person According to Measure and Plan, and Raw Mean Difference.

HEALTH-STATUS MEASURES	NO. *	COST-SHARING PLANS				FREE PLAN	PREDICTED MEAN DIFFERENCE (free minus cost-sharing) †	RAW MEAN DIFFERENCE (free minus cost-sharing)
		CATA-STROPHIC	INTER-MEDIATE	INDIVIDUAL DEDUCTIBLE	TOTAL			
General health (score, 1–100)								
Physical functioning	3862	86.0	85.0	84.9	85.3	85.3	0.0 (−1.6, 1.5)	−0.3 (−2.3, 1.7)
Role functioning	3861	95.5	95.0	94.7	95.1	95.4	0.3 (−0.6, 1.2)	−0.3 (−2.2, 1.6)
Mental health	3862	75.6	75.5	75.8	75.6	75.5	−0.2 (−1.1, 0.8)	−0.1 (−1.1, 1.0)
Social contacts	3827	69.3	70.2	69.8	69.8	69.4	−0.3 (−2.3, 1.6)	−0.2 (−2.4, 2.0)
Health perceptions	3843	68.1	68.0	67.9	68.0	67.4	−0.6 (−1.5, 0.3)	−0.9 (−2.1, 0.3)
Health habits								
Smoking (scale, 1–2.20)	3758	1.28	1.29	1.29	1.29	1.29	0.0 (−0.02, 0.02)	−0.00 (−0.03, 0.03)
Weight (kg)	2804	72.8	72.6	73.1	72.8	72.8	0 (−0.5, 0.5)	0.0 (−1.0, 1.0)
Cholesterol level (mg/dl)	3381	202	200	204	202	203	1.0 (−1, 3)	1 (−2, 4)
Physiologic health								
Diastolic blood pressure (mm Hg)	3232	79.2	79.1	79.3	79.2	78.5	−0.7 (−1.5, 0.02) ‡	−0.8 § (−1.7, 0.02)
Functional far vision (no. of Snellen lines)	3477	2.55	2.50	2.51	2.52	2.42	−0.1 (−0.16, −0.04) ¶	−0.13 (−0.20, −0.06)
Risk of dying (score)	3317	1.01	0.98	1.03	1.01	0.99	−0.02 (−0.05, 0.02)	−0.03 (−0.07, 0.02)

*Numbers of persons in various parts of the analysis are dissimilar because noncompleters were not included for physiologic health, weight, or cholesterol level and because of differences among measures in the number of persons with valid enrollment or exit data.

†Numbers in parentheses are 95 per cent confidence intervals; an approximate confidence interval is given for role functioning.

‡t = 1.89, P = 0.06.

¶t = 3.29, P = 0.001. Persons with normal vision were included and given a value of 2.0.

Table 7

Differences Between Free and Cost-sharing Plans in Predicted Exit Values of Blood Pressure and Vision and the Risk of Dying, According to Initial Health Status and Income

PHYSIOLOGIC MEASURES	ELEVATED RISK*	
	LOW INCOME	HIGH INCOME
Diastolic blood pressure	-3.3 (-5.9, -0.7)	-0.4 (-2.6, 1.8)
Functional far vision	-0.3 (-0.6, +0.02)	-0.1 (-0.4, 0.2)
Risk of dying	-0.30 (-0.60, -0.04)	-0.13 (-0.40, 0.10)

*For definitions of elevated risk for diastolic blood pressure and risk of dying, see Table 7. For functional far vision, elevated-risk in this table refers only to upper one-quarter of the distribution of uncorrected natural vision. Predictions in these two columns are made using the mean value of the elevated-risk group. Numbers in parentheses are 95 per cent confidence intervals. All intervals that do not include 0 are significant at $P < 0.05$.

Table 8

Predicted Exit Values for Physiologic Measures and Health Habits in Elevated-Risk Groups, According to Measure and Plan

HEALTH HABITS AND PHYSIOLOGIC MEASURES	DEFINITION OF ELEVATED-RISK GROUP*	TOTAL COST-SHARING	FREE PLAN	FREE MINUS COST-SHARING+
smoking	>= 1.79 (1 pack per day or more)	1.75	1.73	-0.02 (-0.06, 0.03)
weight	20% over ideal weight (kg)	89.1	89.4	0.3 (-1.1, 1.7)
cholesterol level	>= 220 mg/dl	242	244	2 (-3, 7)
diastolic blood Pressure	> 83 mm Hg or taking hypertension drugs at enrollment	89.3	87.9	-1.4 (-3.0, +0.1)**
functional far Vision	line 3 (20/25) or worse for better eye	2.98	2.78	-0.2 (-0.3, -0.1)***
risk of dying	risk > 1.42	2.11	1.90	-0.21 (-0.49, -.04)++

*Elevated-risk group are the least healthy 25 per cent of the people as defined with respect to the individual health measure denoted in each row. For functional far vision, all persons with uncorrected natural vision worse than 20/20 are included.

**

Numbers in parentheses are 95-percent confidence intervals.

t = -1.79; p = .07.

***

t = -3.29; p = .001.

++

t = -2.41; p = .02.

Table 9

Comparison of Likelihood of Using any Service, Likelihood of Hospitalization, and Imputed Annual Expenditure Among the Group Health Cooperative (GHC) and Fee-for-Service Plans.*

Plan	Use of Inpatient or Outpatient Service in Year	One or More Hospitalizations in Year	Imputed Annual Expenditure per Participant (1983 Dollars) †
	% of participants		
GHC experimental	86.8	7.1	439
	(1.0)	(0.50)	(25)
GHC control	91.0	6.4	469
	(0.8)	(0.55)	(44)
Fee-for-service			
Free	85.3	11.1	609
	(1.6)	(1.17)	(66)
25%	76.1	8.8	620
	(2.7)	(1.37)	(103)
95%	68.4	6.5	459
	(3.4)	(1.18)	(72)
Individual deductible	73.9	7.9	413
	(2.4)	(0.96)	(51)

*The sample consists of all participants present at enrollment, while they remained in the Seattle area. Except for decedents, observations or partial years of participation have been deleted. Standard errors are in parentheses.

†Values include both in-plan and out-of-plan use by GHC participants. The method of imputing expenditure is described in the text and in the Appendix. The t statistics for the difference in expenditure between the GHC experimental group and the five groups listed below it are 0.87, 3.22, 2.22, 0.30, and −0.56, respectively. Because of the inclusion of age and sex as covariates, these t statistics are larger than those that would be calculated from the standard errors shown in the table.

Table 10

Annual Rates of Admission and Face-to-Face Visits.*

Plan	Admission Rate †	Hospital Days	Face-to-Face Visits ‡	Preventive Visits §
	per 100 persons		*per person*	
GHC experimental	8.4	49	4.3	0.55
	(0.67)	(9.6)	(0.14)	(0.02)
GHC control	8.3	38	4.7	0.60
	(1.01)	(9.0)	(0.17)	(0.02)
Fee-for-service				
Free	13.8	83	4.2	0.41
	(1.51)	(26)	(0.25)	(0.03)
25%	10.0	87	3.5	0.32
	(1.43)	(28)	(0.35)	(0.03)
95%	10.5	46	2.9	0.29
	(1.68)	(9.9)	(0.34)	(0.04)
Individual deductible	8.8	28	3.3	0.27
	(1.20)	(5.1)	(0.33)	(0.03)

*The sample includes all participants present at enrollment, while they remained in the Seattle area. For GHC control and experimental groups the data include both in- and out-of-plan use. Standard errors are in parentheses.

†A count of all continuous periods of inpatient treatment.

‡Includes all visits involving face-to-face contact with health providers for which a separate charge would have been made in the fee-for-service system. Excludes radiology, pathology, pre- and post-natal care, speech therapy, psychotherapy, dental care, chiropractic, podiatry, Christian Science healing, and telephone contacts.

§Includes well-child care, immunizations, screening examinations, routine physical and gynecologic examinations, and visits involving Pap smears (other than for cancer). Excludes visits for prenatal care, vision, and hearing. In the case of GHC, includes in-plan and out-of-plan visits.

CIVILIAN MILITARY DIFFERENCES

Senator RUDMAN. Thank you very much.

Senator INOUYE. You spoke of the military throughout your testimony. Isn't it correct that you cannot equate the military man or military woman to a civilian man or a civilian woman?

First of all, the military man or woman has to pass a physical before he or she is put into uniform, so that alone places him or her in a different category. One would sure assume that when he enters, he has no coronary problems, or respiratory problems, and his blood tests have all come out well, et cetera. Therefore, you could not apply your experiment in the civilian world to the military community, could you?

Dr. NEWHOUSE. Clearly there are differences, Senator, and the question is how much those differences mean to the result.

On the change in use side, we saw changes in use among both relatively healthy and relatively sick populations. So I feel relatively comfortable saying that change in use would probably be found on the military side, and the military population.

On the health status result side, I think the force of your remark would go to diminish the health status consequences of user charges. We found that user changes had a greater effect among the poor and among the sick. Your observation, which I agree with, is that the military is less likely than the average persons in the civilian population to be either poor or sick. By poor, I mean the lowest 20 percent of the income distribution.

Senator INOUYE. If that is the case, the use of a fee would apply negatively to the poor or the ill?

Dr. NEWHOUSE. The poor and the ill.

Senator INOUYE. Could I suggest that in the military, a very large segment are below the poverty level, so they would be poor.

Dr. NEWHOUSE. Yes, the group I was referring to was the group that was both poor and sick. We did not find effects among the group that was poor and relatively well, although when one gets down to smaller groups, our confidence or our precision is naturally reduced. The other thing to say is that one could, of course, scale the user charges to rank, if one desired.

NUISANCE VISITS

Senator INOUYE. My question now is, Does study show what percentage of people who made visits, made nuisance or unnecessary visits?

Dr. NEWHOUSE. It is a matter of judgment about whether any particular visit is a nuisance visit. Rather than adopt the method of going through and describing each visit as a nuisance or not, we have chosen to skip to the end point, and ask about what difference did this change in use make to people's health. Those were the numbers I was giving you on corrected vision and on blood pressure.

We have looked at several other measures, and they do not show effects. More precisely, we can rule out that there was any major deliterious effect with quite high confidence.

POVERTY ASPECTS

Senator **RUDMAN**. I would just comment on the poverty aspects of your report, as to who it affected. I understand from staff that the number that you used was an income of below $9,000. Is that correct?

Dr. **NEWHOUSE**. Yes, with a mean of $7,300.

Senator **RUDMAN**. That is quite a different number than we use normally in definition. So I expect that that would not affect the military in terms of that definition.

The other point is that the user fees that have been talked about, are certainly not talked about for active duty personnel. The user fees that have been talked about are for retirees and for nonactive duty dependents.

I think, to that extent, the retirees tend to fall into a category that was not covered by your report, that is, people who are older.

Dr. **NEWHOUSE**. That is correct. I did not include people over 65 in this experiment.

Senator **RUDMAN**. I think that is an important point because just from my own knowledge of the practice of medicine, and in talking to those in the field, the overutilization of medicare and medicaid is in many cases, I am told, from the older population who tend to, obviously and with justification, have more concerns about their health.

Most people in the sixties and their seventies tend to be more concerned about their health, and they might be more apt to go and see a physician with some relatively low symptom than would be a man or woman of 35. It just seems to me that that one aspect of the study needs more study, which is what I suppose the Rand Corp. does.

Dr. **NEWHOUSE**. Yes. We would be happy to undertake a study of those over 65.

Senator **RUDMAN**. I don't have any other questions, unless my colleague, Senator Inouye does.

Thank you very much, Doctor. We thank all of the witnesses.

SUBCOMMITTEE RECESS

The subcommittee will stand in recess subject to the call of the Chair.

[Whereupon, at 11:50 a.m., Tuesday, June 12, the subcommittee was recessed, to reconvene at the call of the Chair.]

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